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Spring VWear 1998

Post Program Analysis

November 20, 1998

2071242964

MANAGEMENT SCIENCE ASSOCIATES, INC.

6565 Penn Avenue Pittsburgh, PA 15206-4490 1-800-MSA-INFO

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KEY FINDINGS

Program Results:
68M adult smokers (21 and older), or 5.3% of adult Virginia Slims smokers responded to Spring VWear 1998.
63% of program responders had participated in at least one other VWear continuity program.

Responder Demographics:
Program participants in the 35+ age groups continue to be the most responsive demographic groups.
The cash requirement for the CD player did not seem to have a negative effect on its redemption, except perhaps in the 21-24 year old age group.

Media Vehicles:
Direct mail was the primary vehicle, accounting for 84%of total program orders and 88% of UPCs redeemed.
Responders in all age groups responded more heavily through direct mail than retail; however 21-24 smokers showed the greatest preference towards retail.

Order Patterns:
There was greater program participation in the first half of the program than in the second half.

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PROGRAM SPECIFICS

PROGRAM LENGTH	**5 months**
START DATE	**1/19/98**
END DATE	**6/30/98**
TOTAL ITEMS	**5**
RANGE UPCs	**30-245**
AVG ITEM UPC COST	**119**
CASH REQUIREMENT	**$30 for CD Player**

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PROGRAM VEHICLES

Distribution Vehicle	Circulation	Resp Rate	%Circ	%Orders
Total Direct Mail:	**1.3MM**	**4.4%**	**20.5%**	**83.6%**
Defensive	583M	7.8%	9.2%	65.6%
800# on Def DM	583M	0.6%	9.2%	5.0%
Offensive*	723M	1.2%	11.4%	12.9%
Total Retail:	**5.1MM**	**0.2%**	**79.5%**	**16.4%**
Retail Pack Insert	1.6MM	0.3%	24.5%	6.1%
Carton Insert	3.5MM	0.2%	55.0%	10.3%
Total VWear 1 1998	**6.4MM**	**1.1%**	**100%**	**100%**

***Note: Offensive includes: Offensive DM, YAF DM, Menthol DM**

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HISTORICAL RESPONSE TO VWEAR PROGRAMS

•VWear 1998 was smaller in scale than the VWear programs of the past 2 years, resulting in fewer responders, items ordered, orders processed and UPCs redeemed.

	96 VWear 1	96 VWear 2	97 VWear 1	97 VWear 2	98 VWear 1
RESPONDERS	119M	113M	108M	112M	68M
ITEMS ORDERED	384M	363M	345M	350M	132M
UPCs REDEEMED	31.0MM	31.4MM	36.7MM	36.5MM	15.9MM
ORDERS	124M	118M	112M	118M	69M
IPO	3.1	3.1	3.1	3.0	1.9
UPO	250	266	327	310	229
# ITEMS OFFERED	15	11	14	11	5
UPC RANGE	30-225	20-210	25-315	30-275	30-245
AVG. UPC COST	90	90	100	129	119
DURATION (WKS)	25	29	31	32	25
DM CIRCULATION	1.3MM	1.3MM	1.3MM	1.2MM	1.3MM
DM RESPONSE RATE	5.0%	5.2%	5.4%	5.4%	4.4%

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ORDER RESULTS

•The $30 cash requirement did not seem to have an adverse affect on the CD Player's popularity; it was the second most popular in terms of items ordered, and had the highest redemption in UPCs.

Item	UPC Cost	# Ordered	% of Total Items	% of Total UPCs
Sunglasses	40	33,800	26%	9%
CD Player	245	29,698	22%	46%
Twin Set	180	25,681	19%	29%
Lighter Set of 4	30	24,168	18%	5%
Batik Skirt	100	19,183	14%	12%

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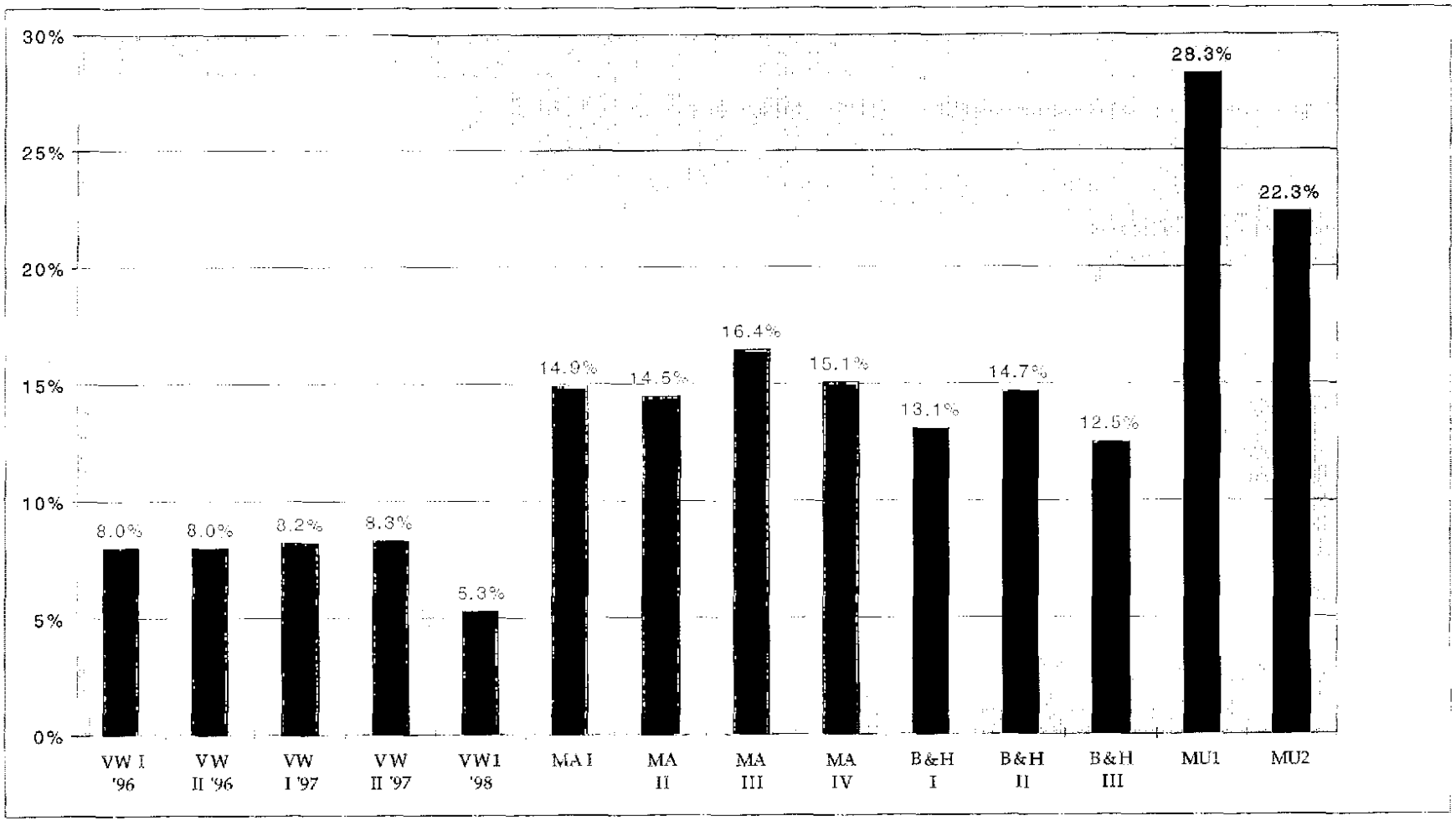
BRAND PENETRATION vs. OTHER BRANDS

•Unlike VWear programs of the past, VW1 98 only achieved 5% brand penetration, likely due to the smaller scale of the program.



Brand smokers is defined as the number of smokers 21 and older in the country that claim to smoke that brand (as tracked by CTS). Brand Penetration=(#of 21+ responders)/(# of 21+ brand smokers)

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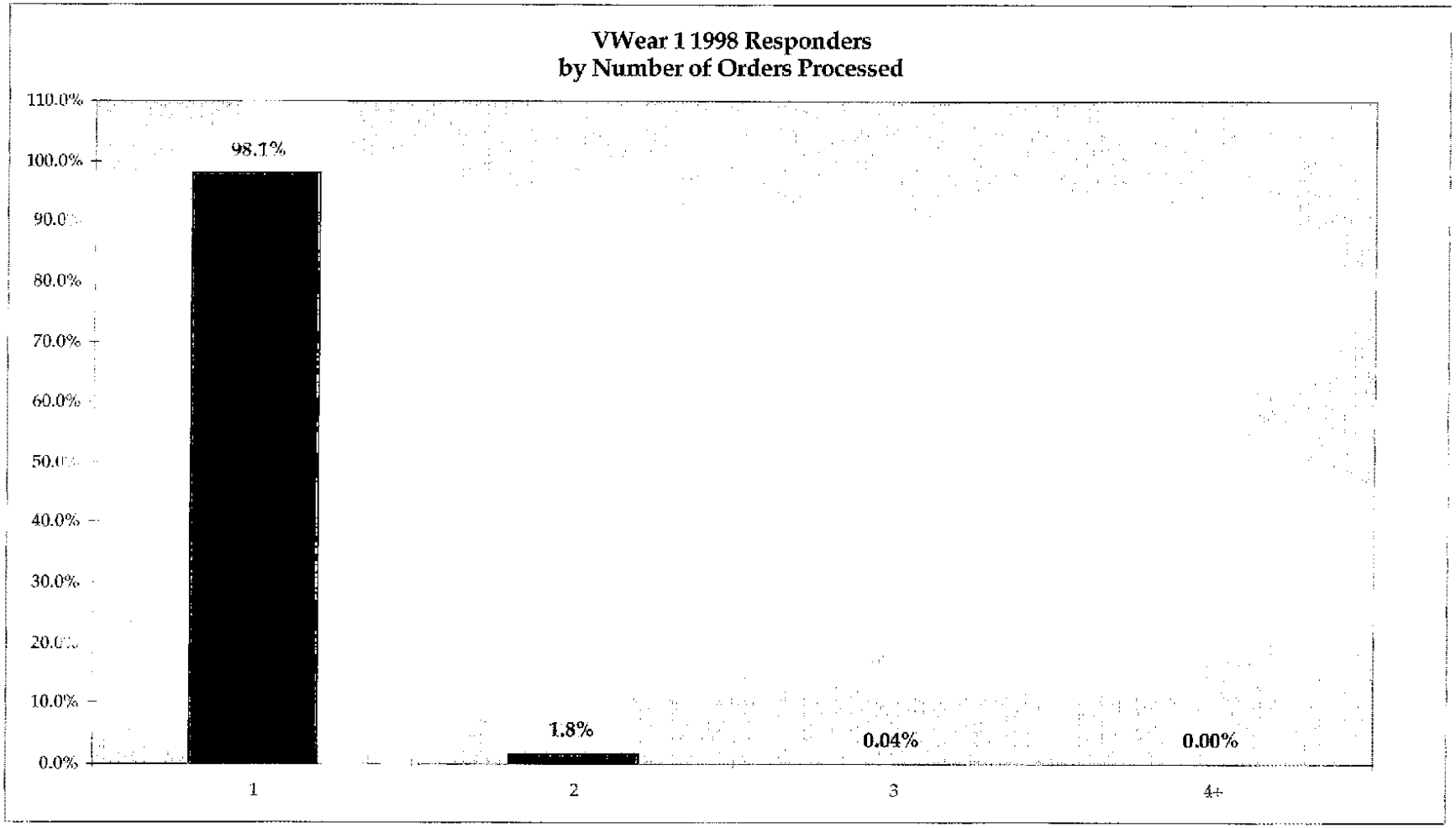
MULTIPLE ORDER RESPONDERS

•The majority of responders to VW1 1998 ordered only once; approximately 2% of responders ordered more than once.



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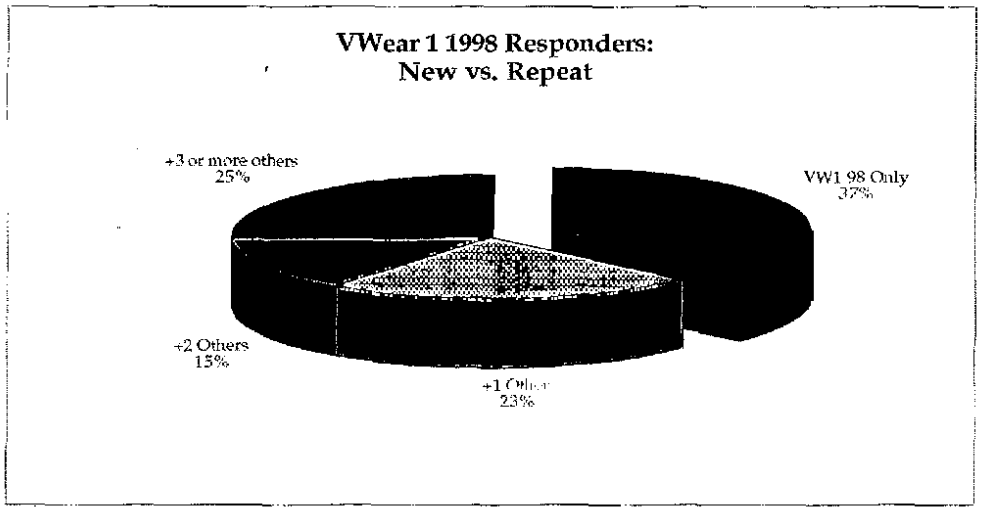
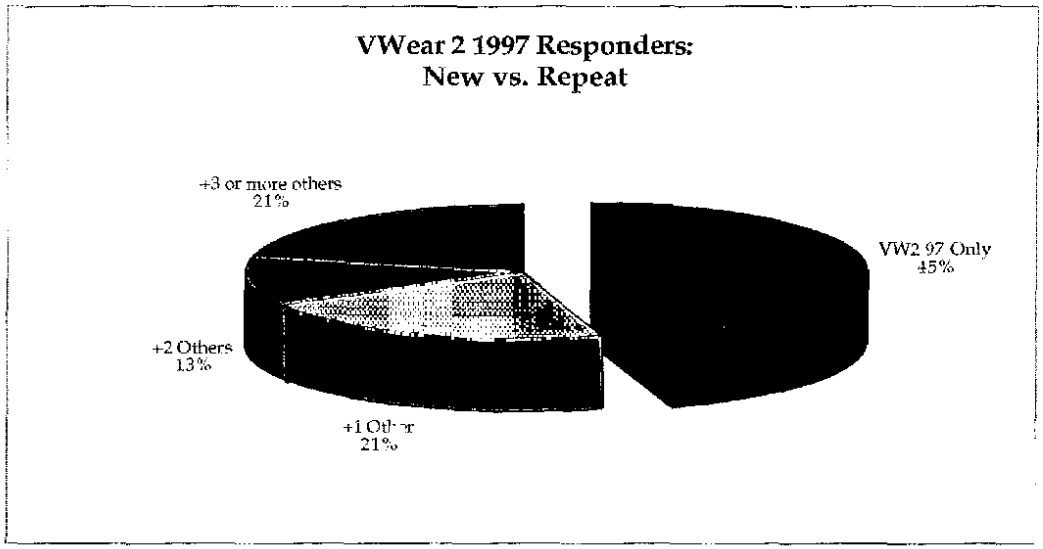
CONTINUITY PARTICIPATION



•VW1 98 had a higher percentage of repeat responders and a lower percentage of new responders than the previous VWear program.



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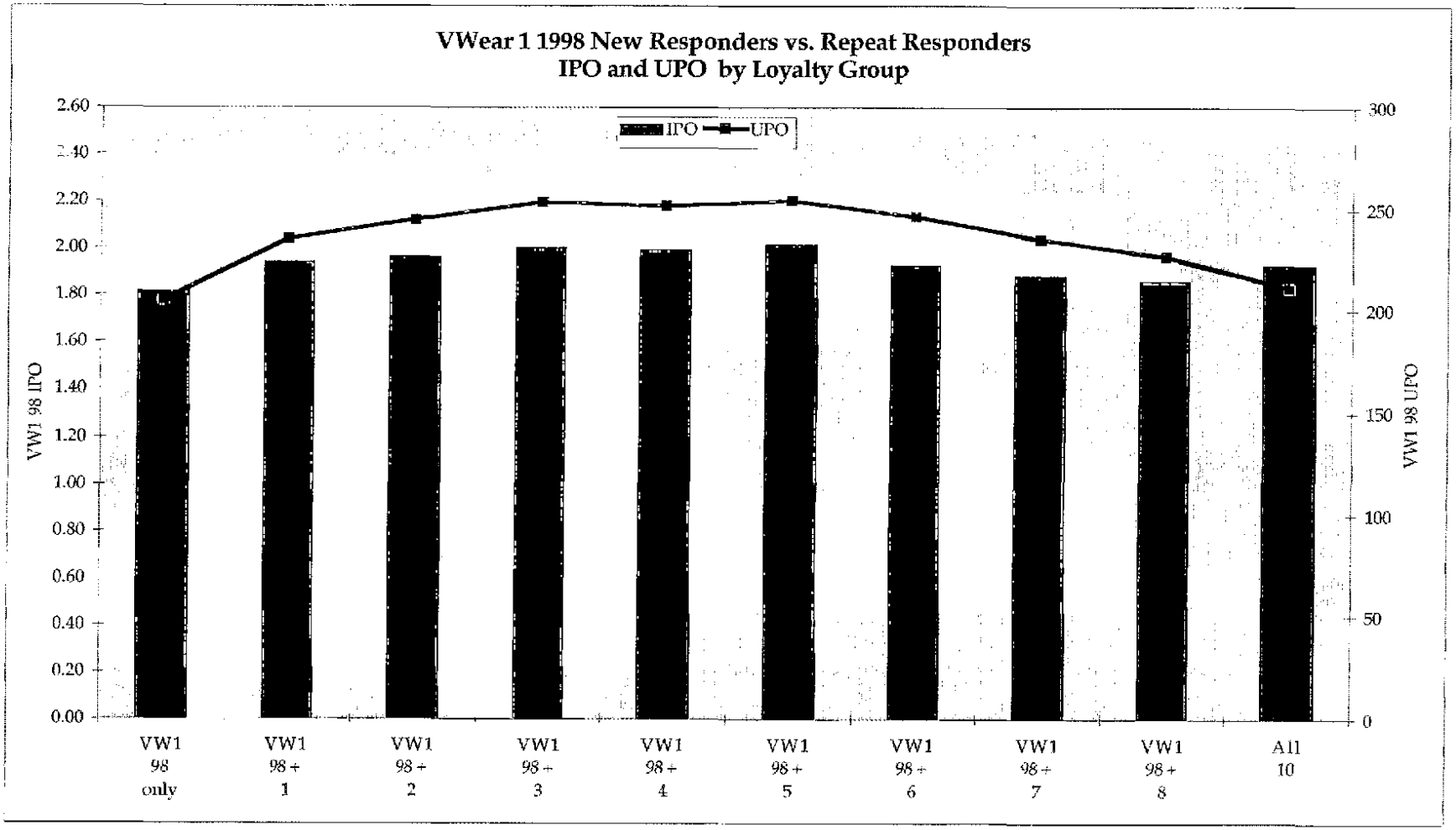
NEW RESPONDERS vs. REPEAT RESPONDERS

•IPO and UPO increased from the new responder group to the VW1 98 +3 responder group and then leveled off and began to decline until IPO rebounded in the most loyal responder group.



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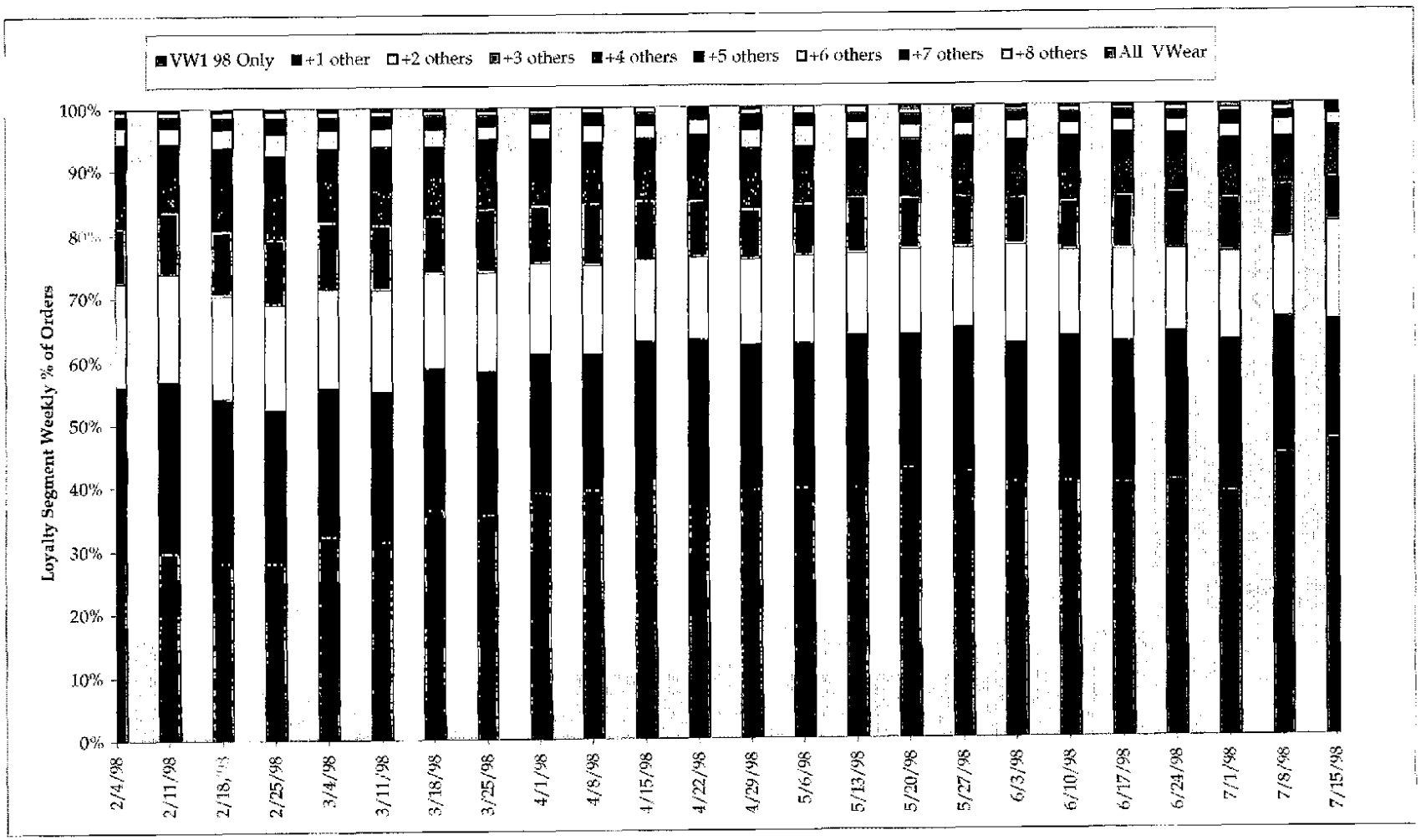
WEEKLY ORDERS: NEW vs. REPEAT RESPONDERS

•New responders percentage of total orders increased as the program progressed, while repeat responders accounted for a greater percentage of total in the early stages of the program.



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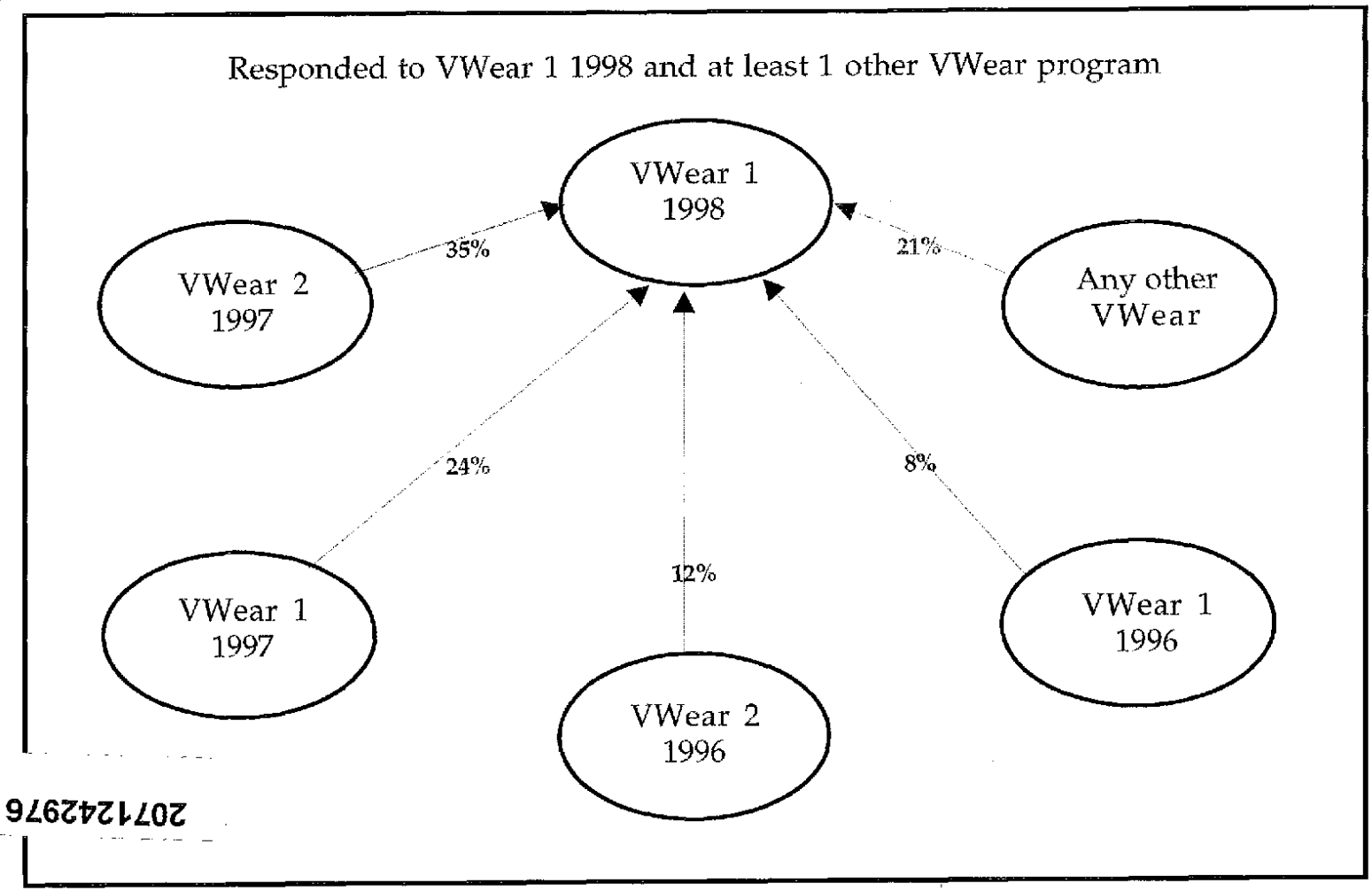
Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

CONSECUTIVE vs NON-CONSECUTIVE RESPONDERS

•The greatest percentage of responders who responded to VW1 1998 and one other VWear program responded to VW2 1997, the program immediately preceeding VW1 1998.



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Note: "Any Other VWear" refers to all programs prior to VWear 1 1996, which are all grouped together as one.

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TOP 5 ITEMS BY SMOKER AGE

•The sunglasses were the most popular item in all age groups, except in the 55+ year old group where the twin set was the most popular.
•The batik skirt was the least popular item in all age groups, except in the 21-24 year old group where the CD Player was the least popular.

Item	UPC	Total	21-24	25-34	35-44	45-54	55+
Sunglasses	40	1	1	1	1	1	3
CD Player	245	2	5	2	2	2	4
Twin Set	180	3	2	3	3	4	1
Lighter Set of 4	30	4	4	4	4	3	2
Batik Skirt	100	5	3	5	5	5	5

Age Break	21-24	25-34	35-44	45-54	55+
% of Total Responders	0.6%	12.8%	37.3%	24.3%	24.9%
% of Total Items Ordered	0.6%	12.4%	37.7%	24.7%	24.6%

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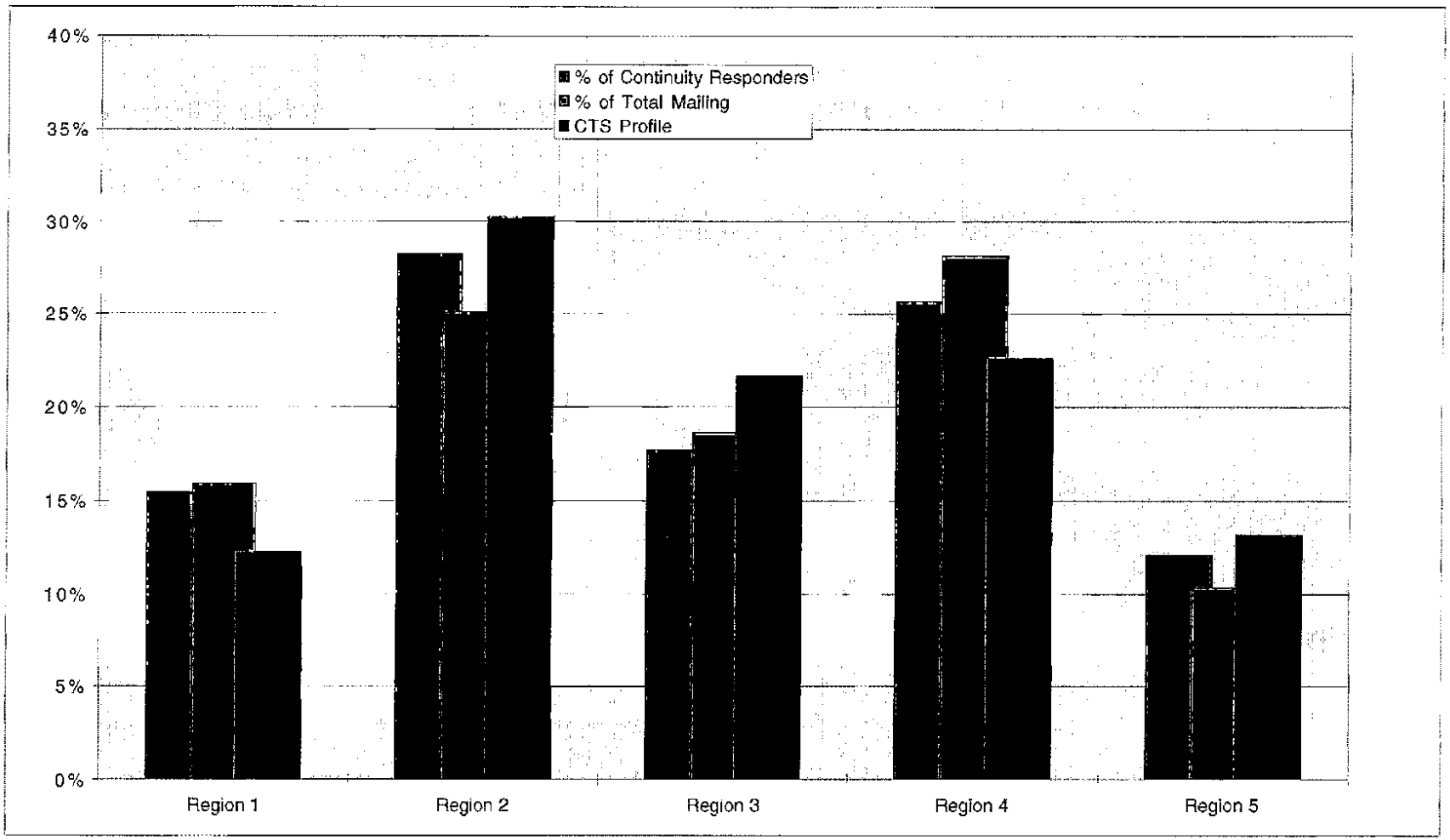
Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

RESPONDERS vs MAIL vs PROFILE (REGION)

•Response exceeded direct mail circulation in Regions 2 and 5, even though Virginia Slims has very few key retail markets in Region 5.



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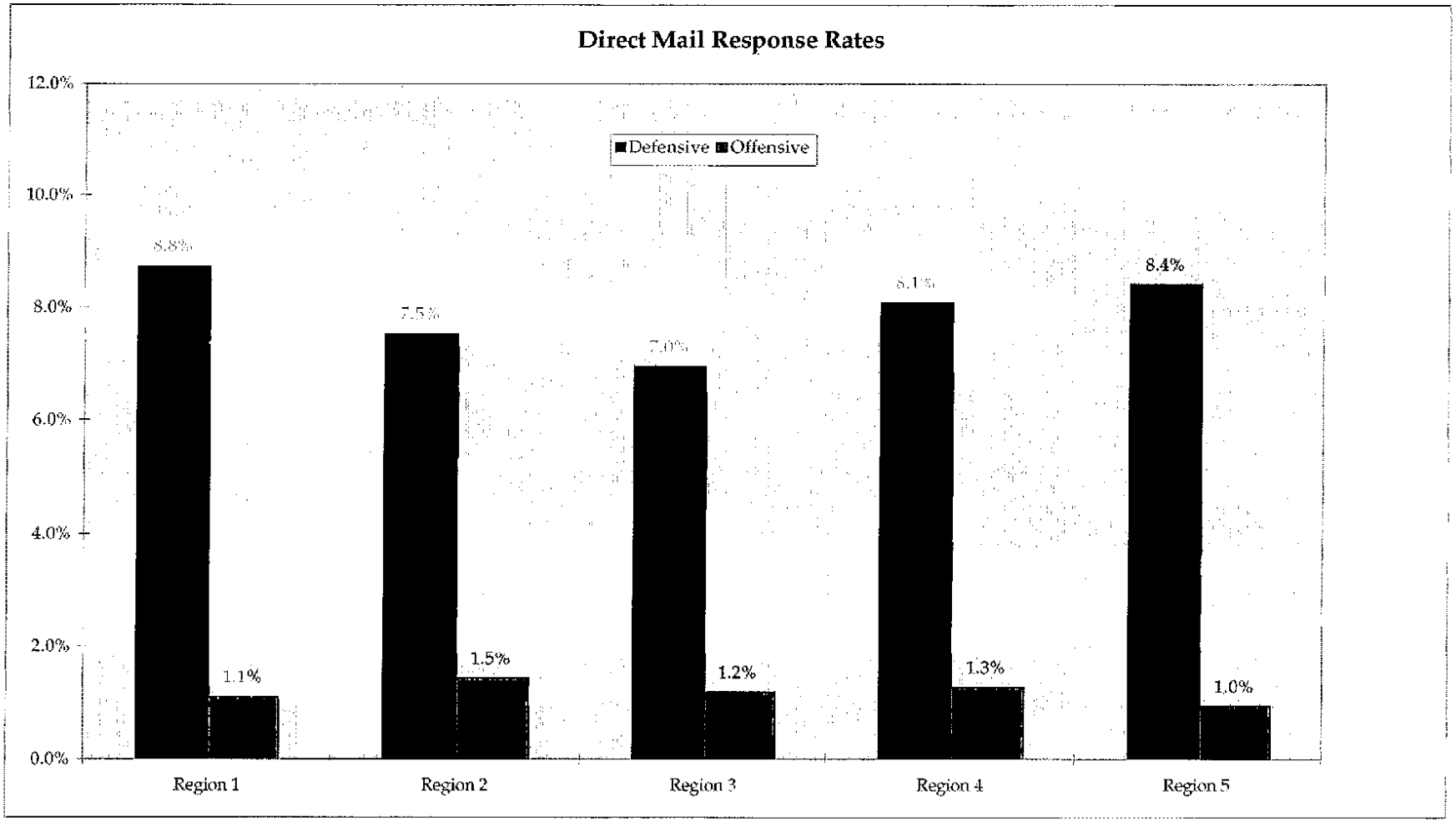
Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

DIRECT MAIL RESPONSE RATES BY REGION

•While offensive response rates were relatively flat across regions, defensive response rates were highest in regions 1,4 and 5.



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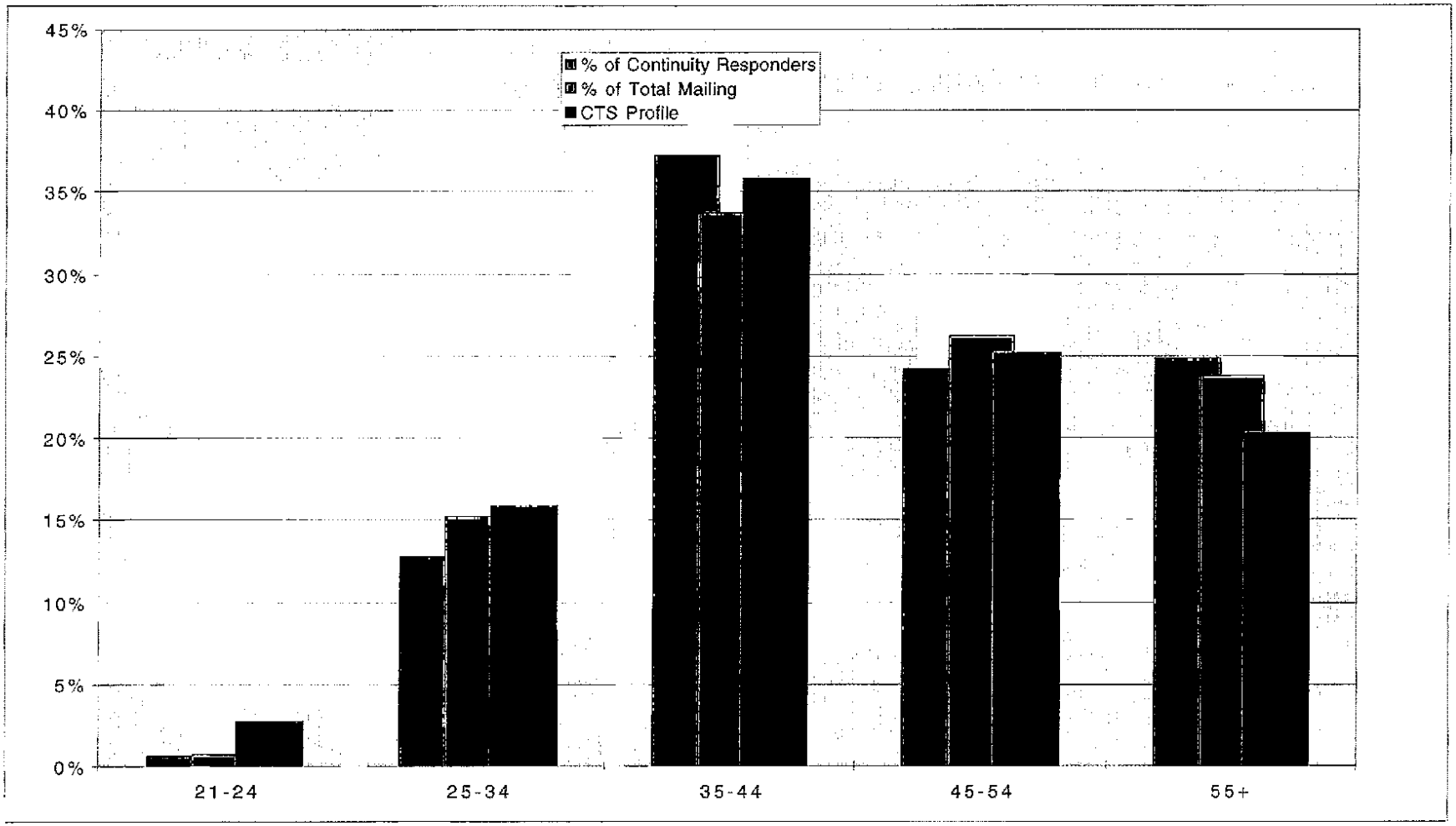
RESPONDERS vs MAIL vs PROFILE (AGE)

•Response is not meeting the smoker profile in the younger age groups, but is exceeding the profile in the 45+ age groups.



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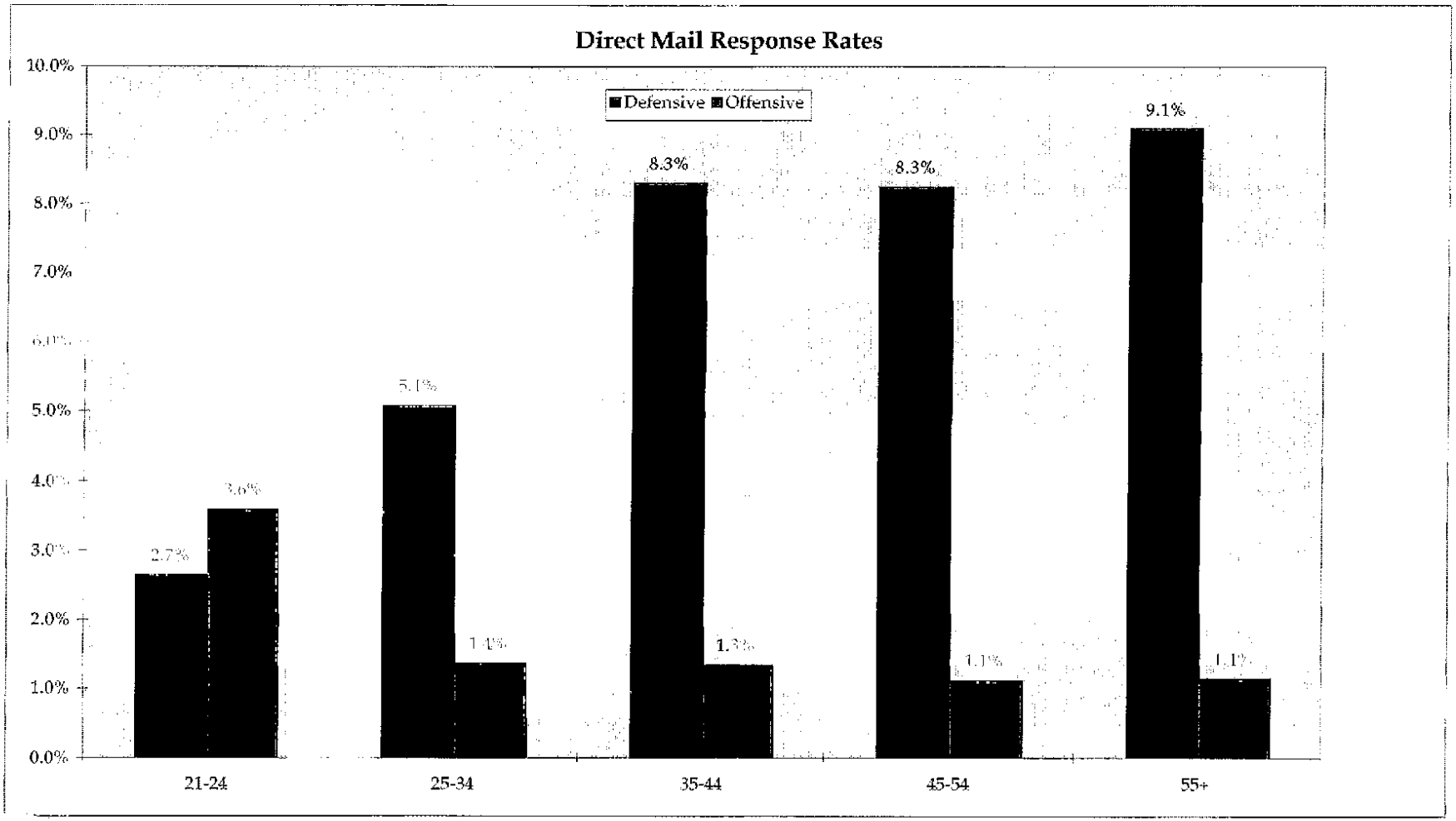
DIRECT MAIL RESPONSE RATES BY AGE

- **Offensive response rates were highest in the 21-24 year old age group, due to the YAF mailing.**
- **Defensive response rates were highest in the 35+ age groups.**



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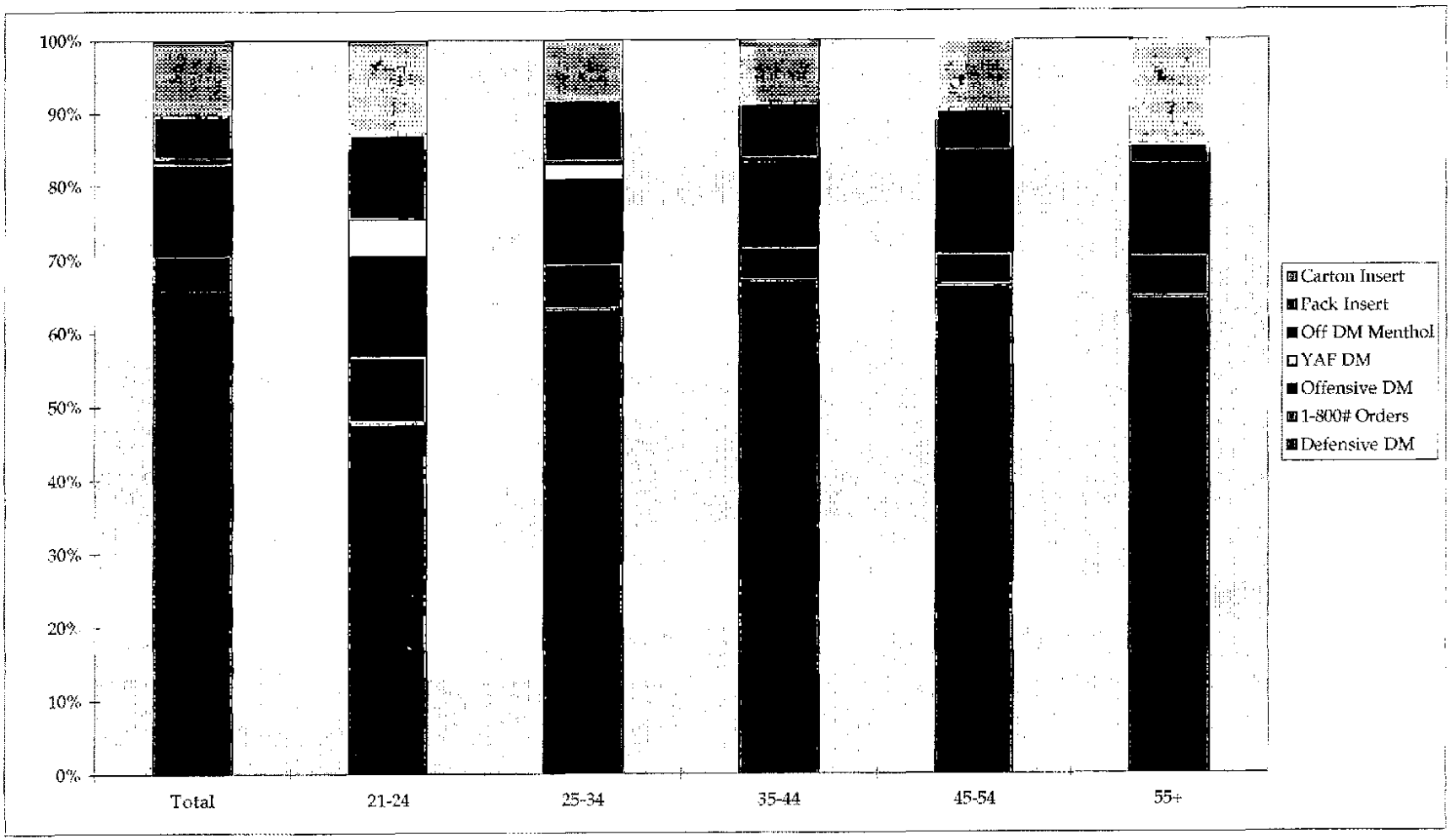
Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

RESPONDERS BY MEDIA VEHICLES BY AGE

•21-24 year old smokers exhibited a greater preference for retail channels than any other age group; however all age groups responded more heavily through direct mail than retail.



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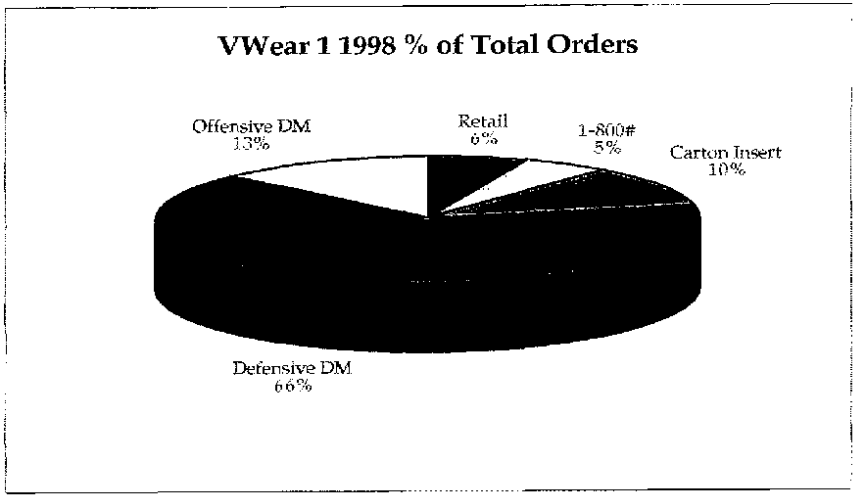
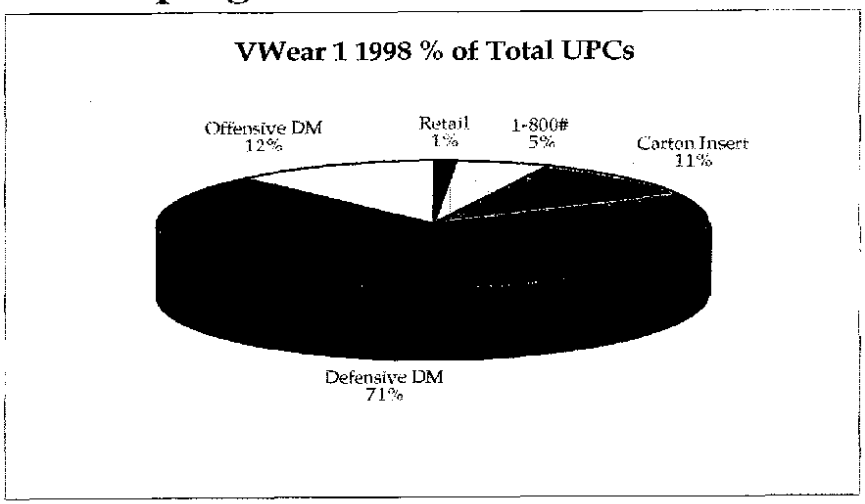
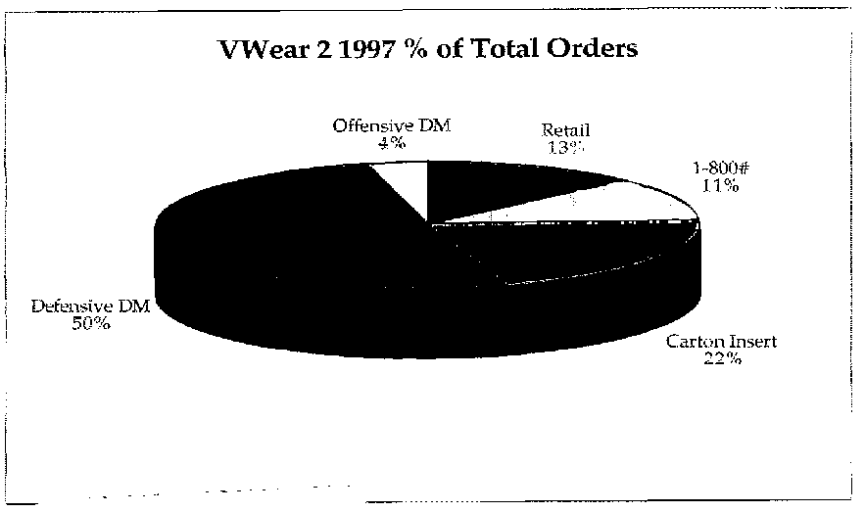
Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

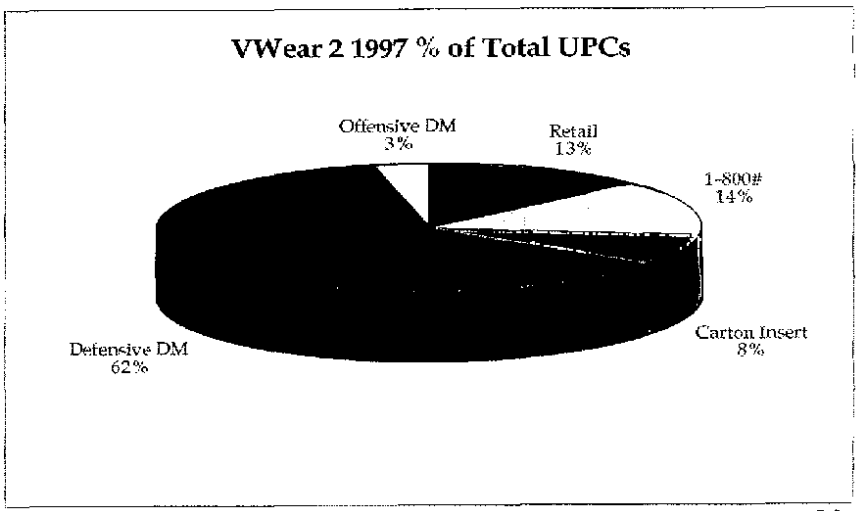
HISTORICAL MEDIA RESPONSE

•Direct Mail was the primary vehicle of VW1 98, accounting for a much greater percentage of orders and UPCs than in the previous program.









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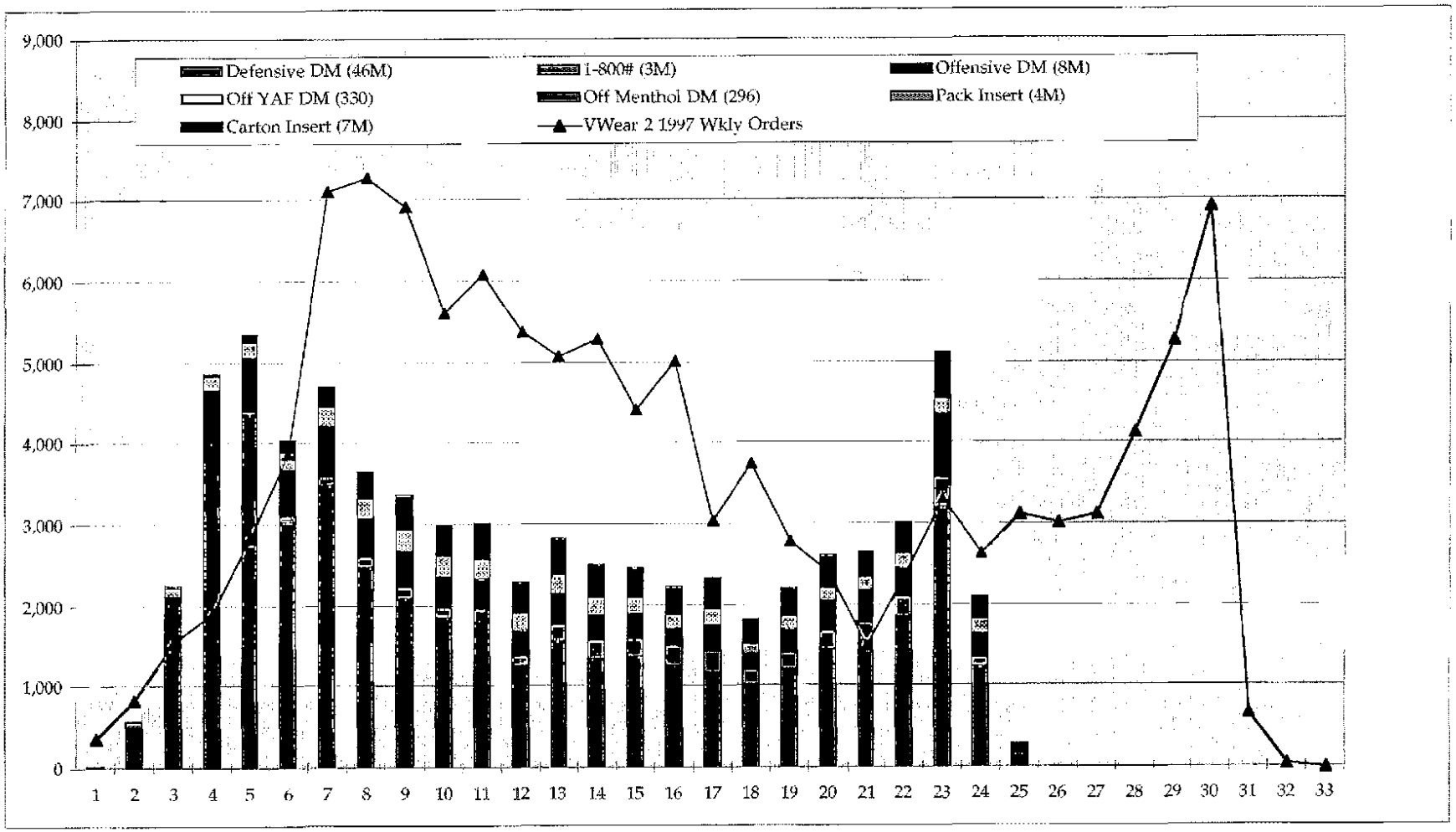
Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

WEEKLY ORDERS BY MEDIA VEHICLES

•While the shape of the order curve was similar to VW2 97, the volume was lower due to the nature of the program.



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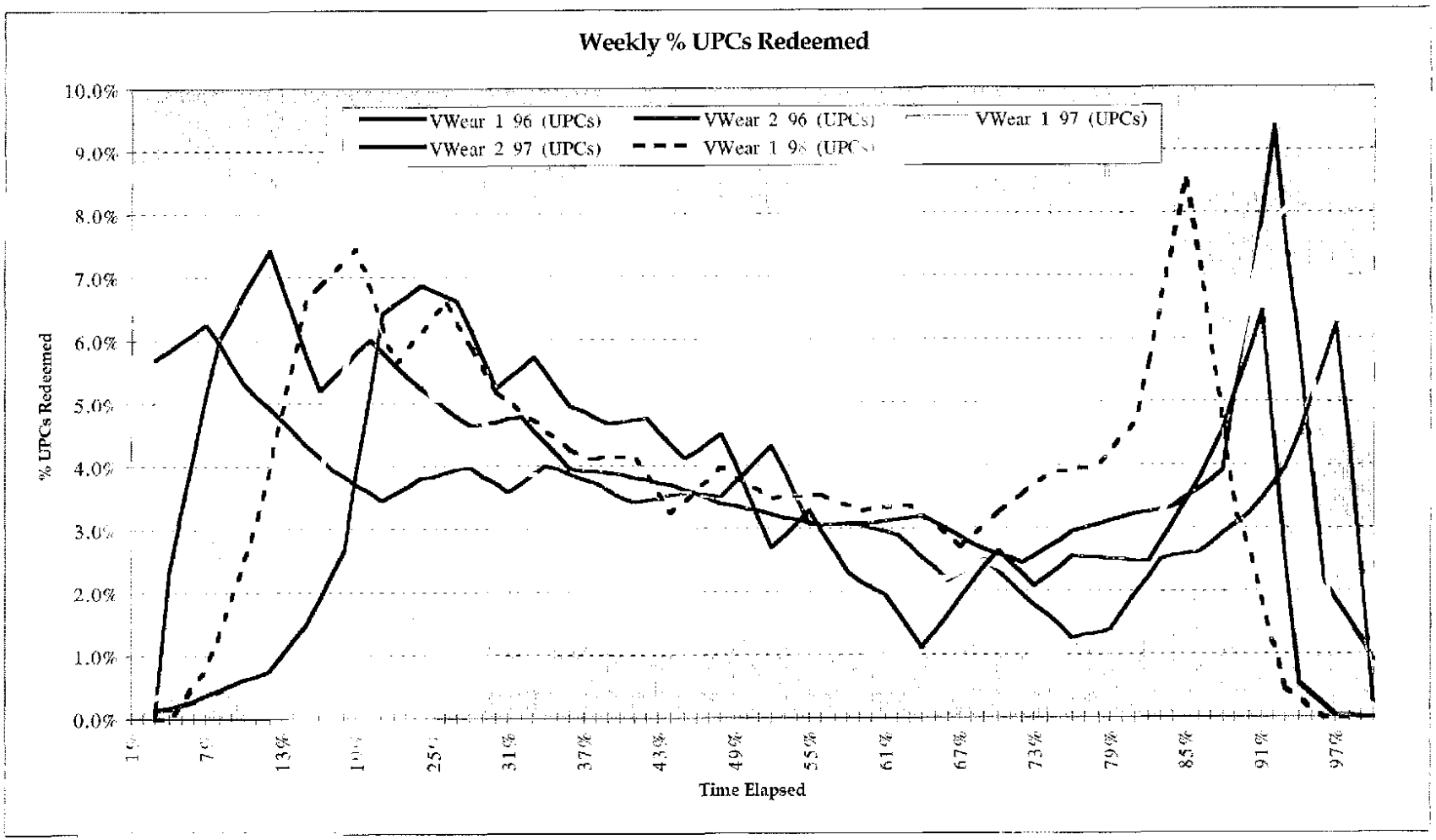
WEEKLY PERCENTAGE OF UPCs

- **VWear 1 1998 had a higher % of total UPCs Redeemed in the first half of the program than in the second half.**
- **Most of the second half program activity occurs in the final surge.**



Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

SPRING VWEAR 1998 REFORECASTING

	CUM UPCs	CUM MR	CUM ITEMS
Initial Forecast	15.9MM	78M	133M
1st Reforecast: 3/24/98	17.1MM	78M	150M
2nd Reforecast: 4/27/98	15.5MM	71M	133M
3rd Reforecast: 6/19/98	15.8MM	71M	132M
Actual	15.9MM	70M	133M

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Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

CONCLUSIONS

Spring VWear 1998 had the lowest response in terms of responders, items ordered, orders processed and UPCs redeemed of any VWear program in the past two years. This is due to several factors: the shorter duration of the program, the limited item selection compared to past programs, and the decreased distribution of the program.

The $30 cash requirement for the CD player did not seem to have a negative impact on the item's popularity. The CD player had the highest UPC requirement, as well as the additional cash requirement, yet it still was the second most popular item in terms of items ordered and the most popular item in terms of UPCs redeemed.

The percentage of new responders to VW1 98 was much lower than it was in VW2 97 perhaps due to the shorter program duration, the limited item selection and/or the decreased distribution. Repeat responders tend to redeem more heavily at the beginning of the program, while new responders make up a greater percentage of weekly orders in the second half of the program.

Names in the direct mail database skew towards older smokers; likewise direct mail response rates skew towards older smokers. However, due to the YAF mailing, response was unusually high in the 21-24 year old age group.

Just as in past VWear programs, Direct Mail was the primary vehicle of Fall VWear 1997. Accounting for only 21% of total program circulation, direct mail generated 84% of total orders and 88% of total UPCs. The carton insert was the primary retail vehicle, generating 10% of total orders and 11% of total UPCs.

Redemption was greater in the first half of the program than in the second half. Since there is no currency change, consumers are able to have UPCs saved before the program begins and are able to redeem up front.

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APPENDIX

Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

ITEM INDICES BY SMOKER AGE

Item	UPC Cost	21-24	25-34	35-44	45-54	55+
Lighter Set of 4	30	86	87	89	102	122
Sunglasses	40	129	115	107	100	81
Batik Skirt	100	110	106	100	91	105
Twin Set	180	103	84	91	95	128
CD Player	245	69	103	109	109	76

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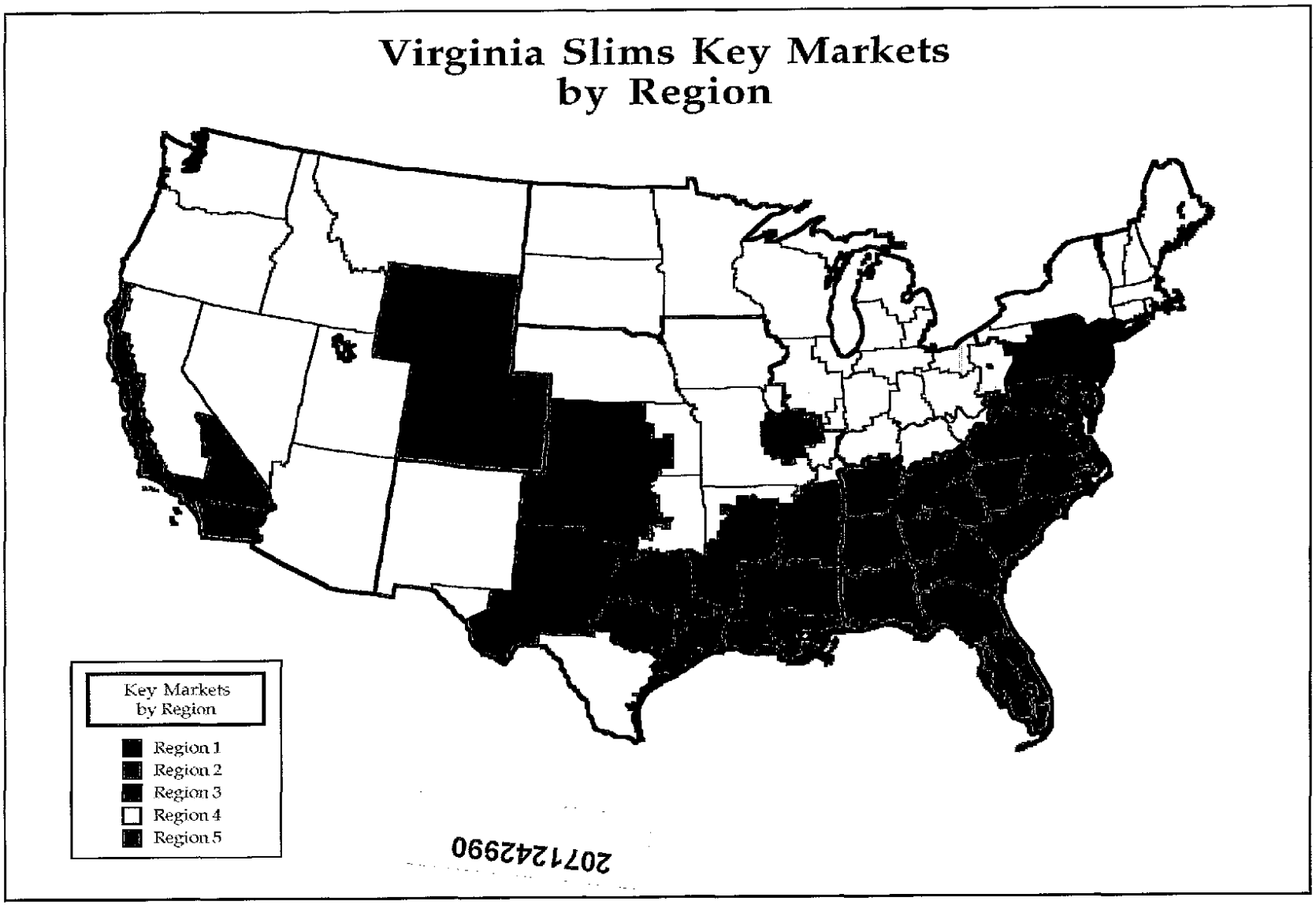
Index: (# of item A ordered by age group/# items ordered by age group)/(# of item A ordered by all/# items ordered by all)
21-24 accounted for only 1% of the total items ordered.

Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

VIRGINIA SLIMS KEY MARKETS



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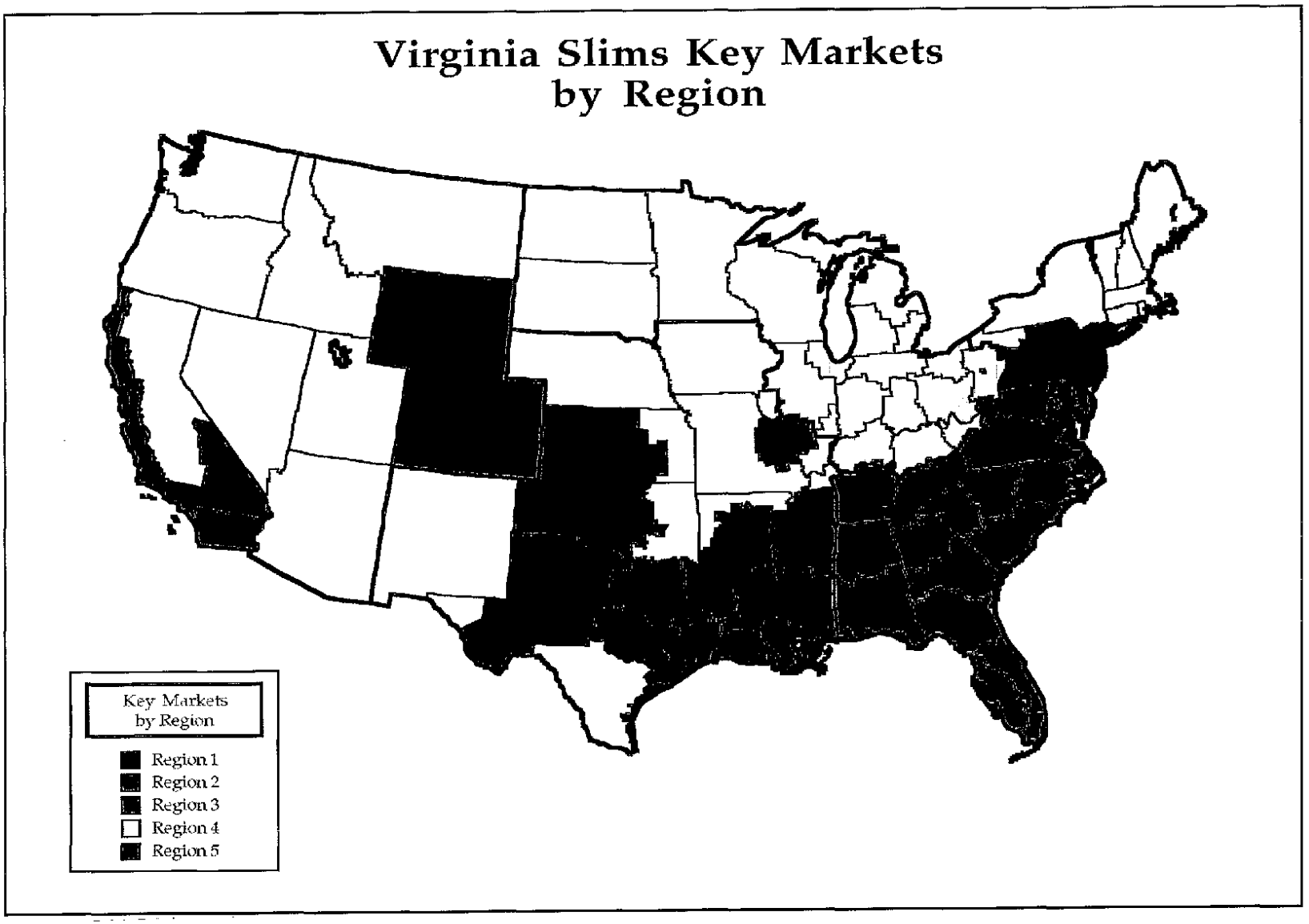
VIRGINIA SLIMS KEY MARKETS



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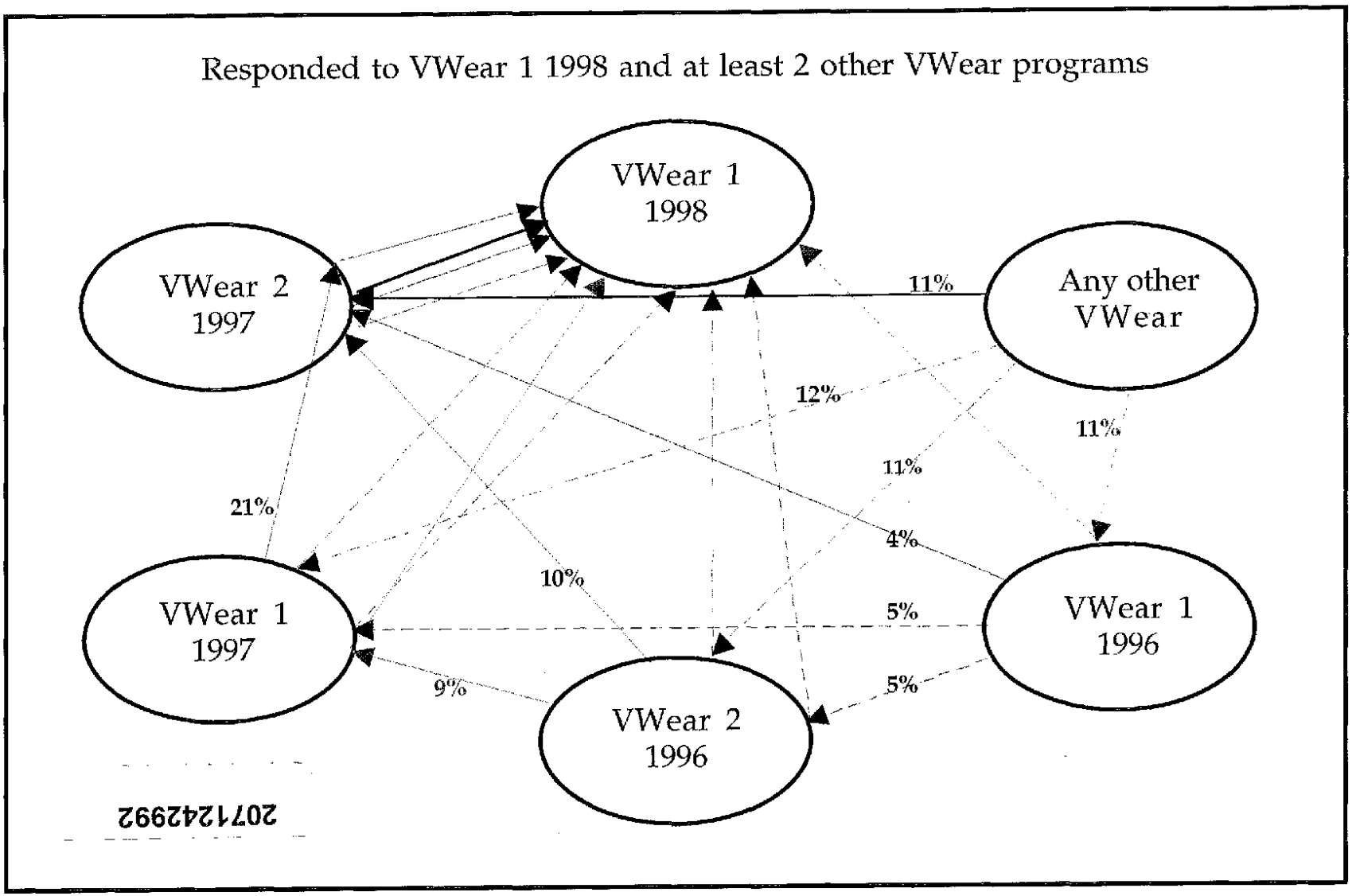
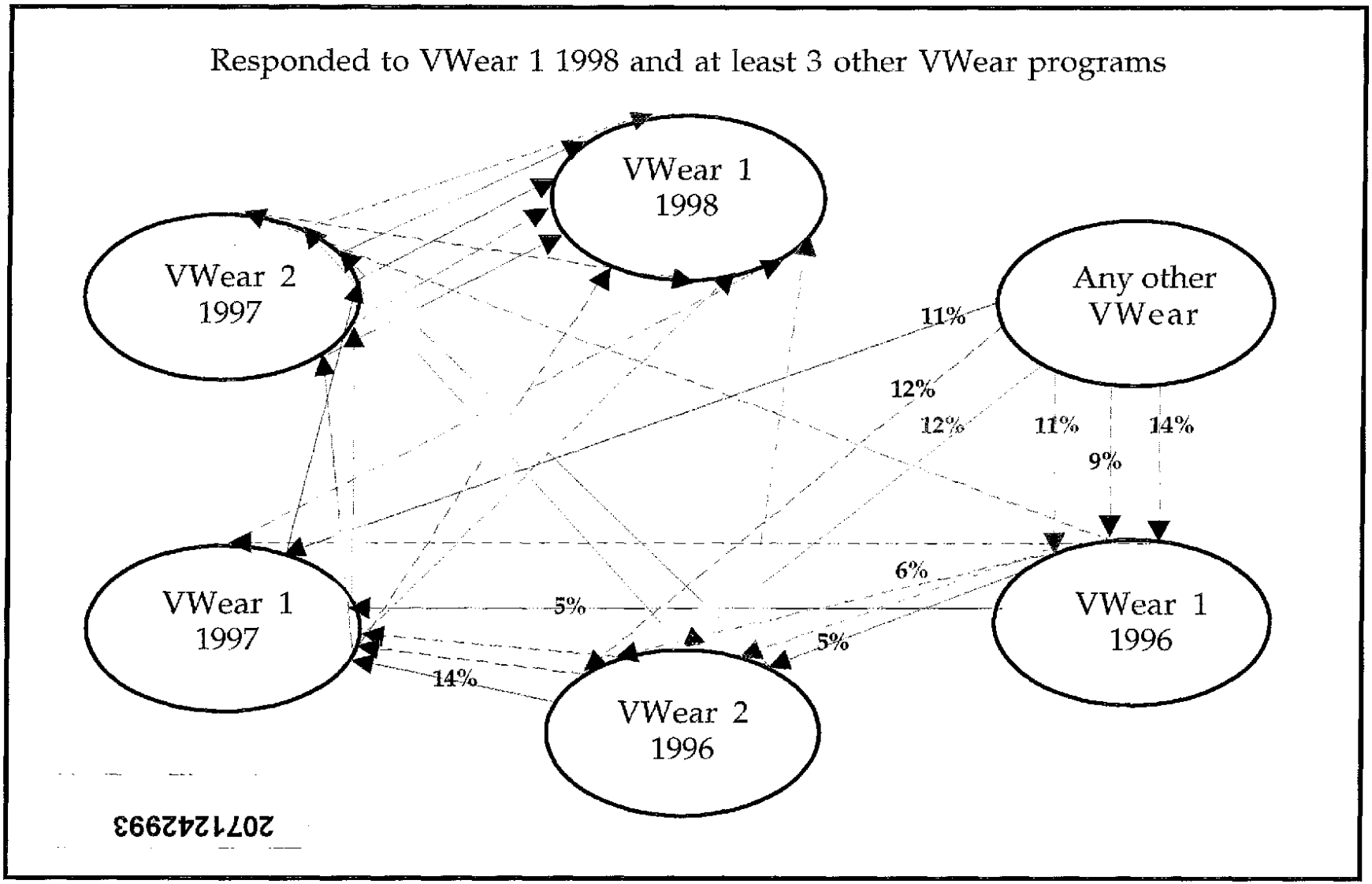
CONSECUTIVE vs NON-CONSECUTIVE RESPONDERS



Note: "Any Other VWear" refers to all programs prior to VWear 1 1996, which are all grouped together as one.

Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

CONSECUTIVE vs NON-CONSECUTIVE RESPONDERS



Note: "Any Other VWear" refers to all programs prior to VWear 1 1996, which are all grouped together as one.

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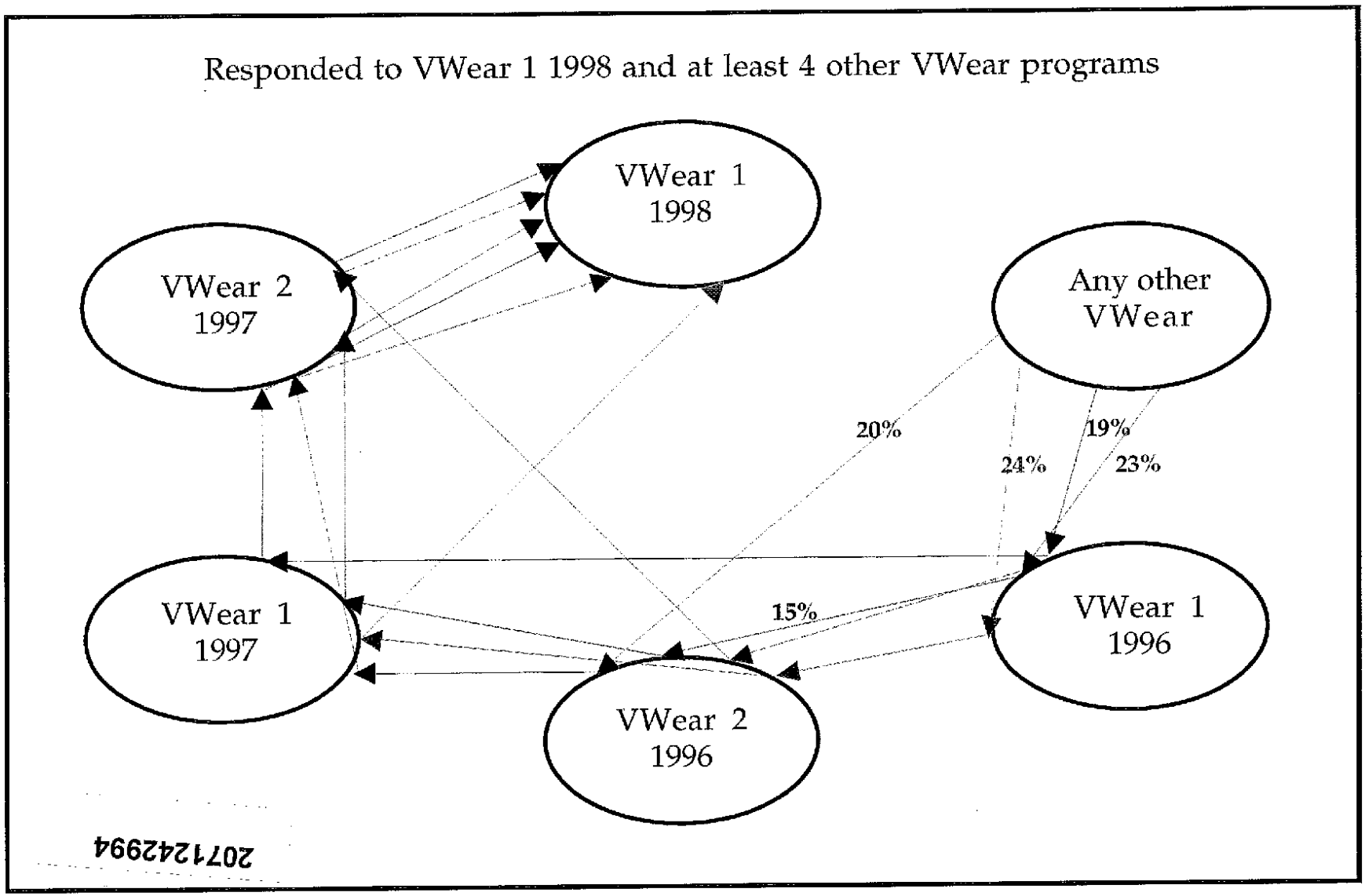
CONSECUTIVE vs NON-CONSECUTIVE RESPONDERS



Note: "Any Other VWear" refers to all programs prior to VWear 1 1996, which are all grouped together as one.

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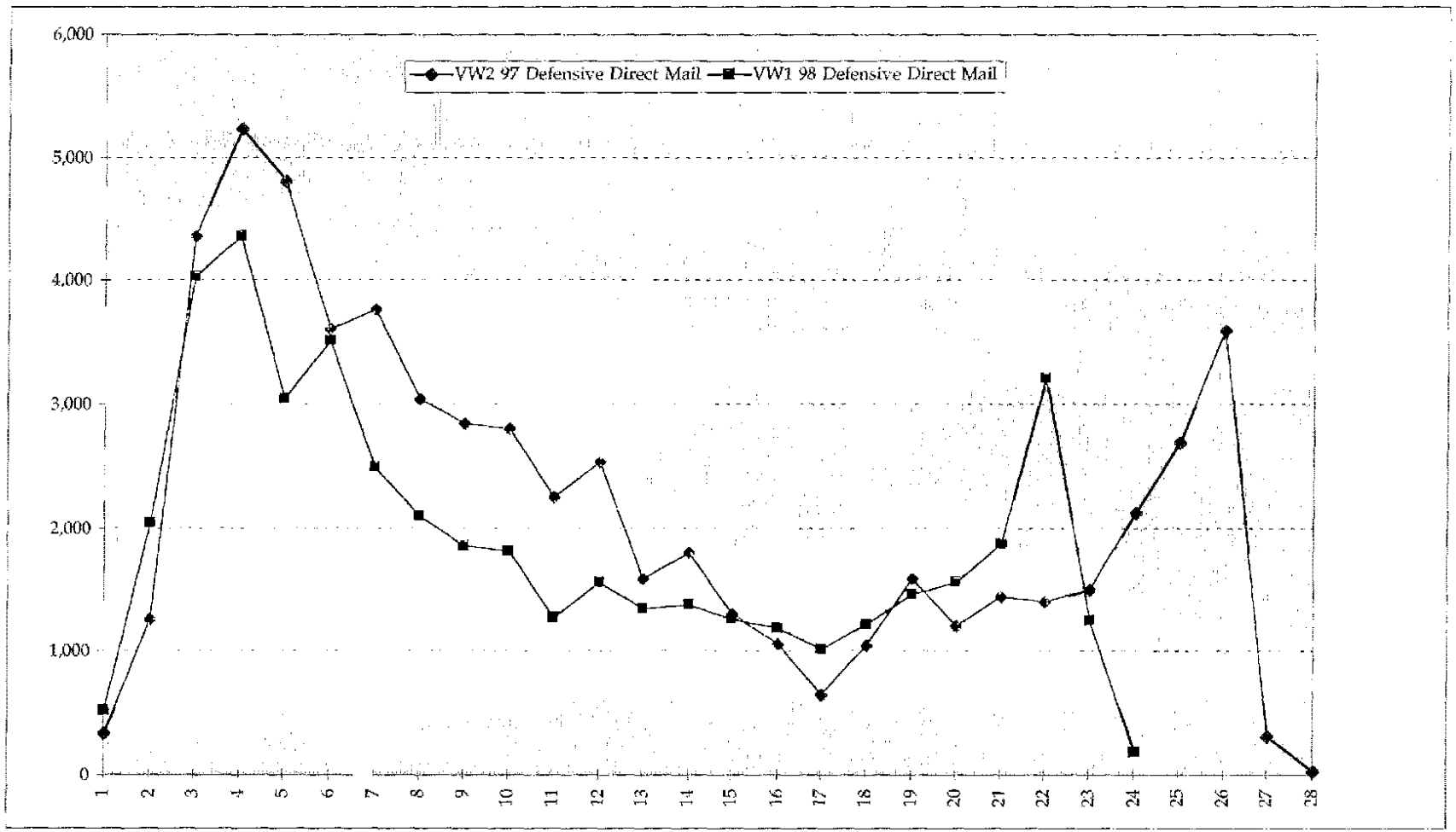
DEFENSIVE DIRECT ORDER CURVE: VW1 98 vs VW2 97



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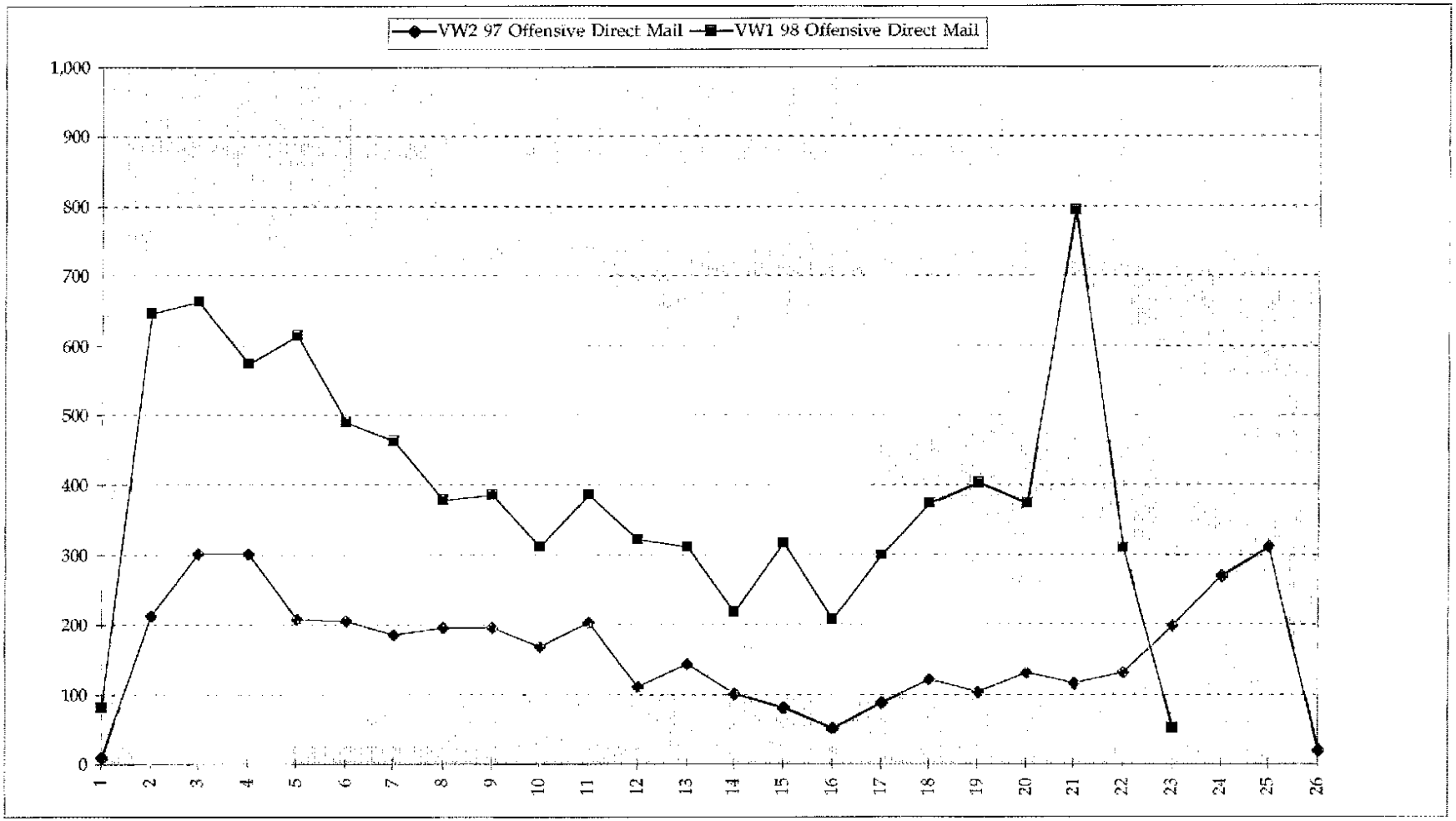
OFFENSIVE DIRECT ORDER CURVE: VW1 98 vs VW2 97



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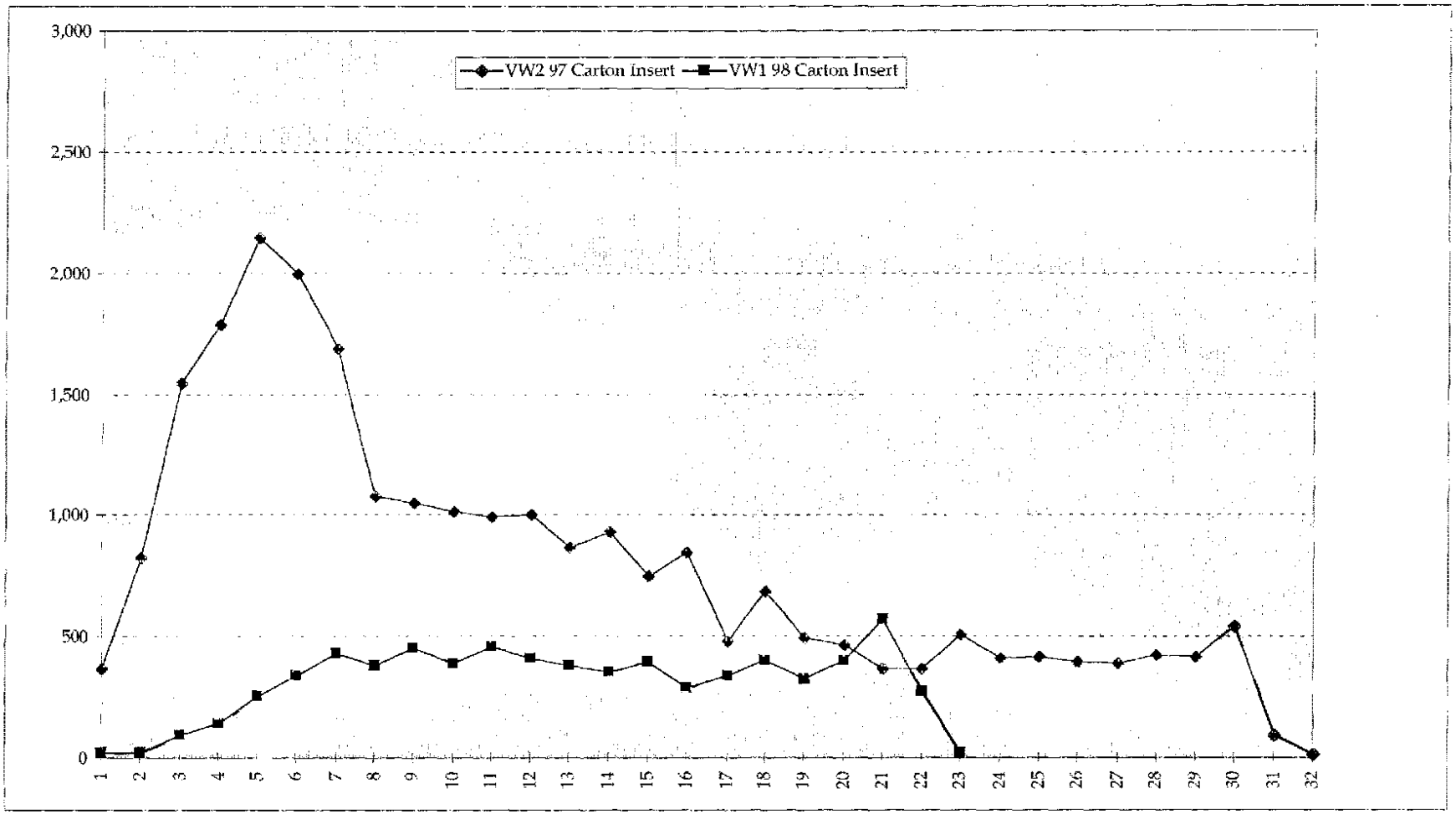
Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

CARTON INSERT ORDER CURVE: VW1 98 vs VW2 97



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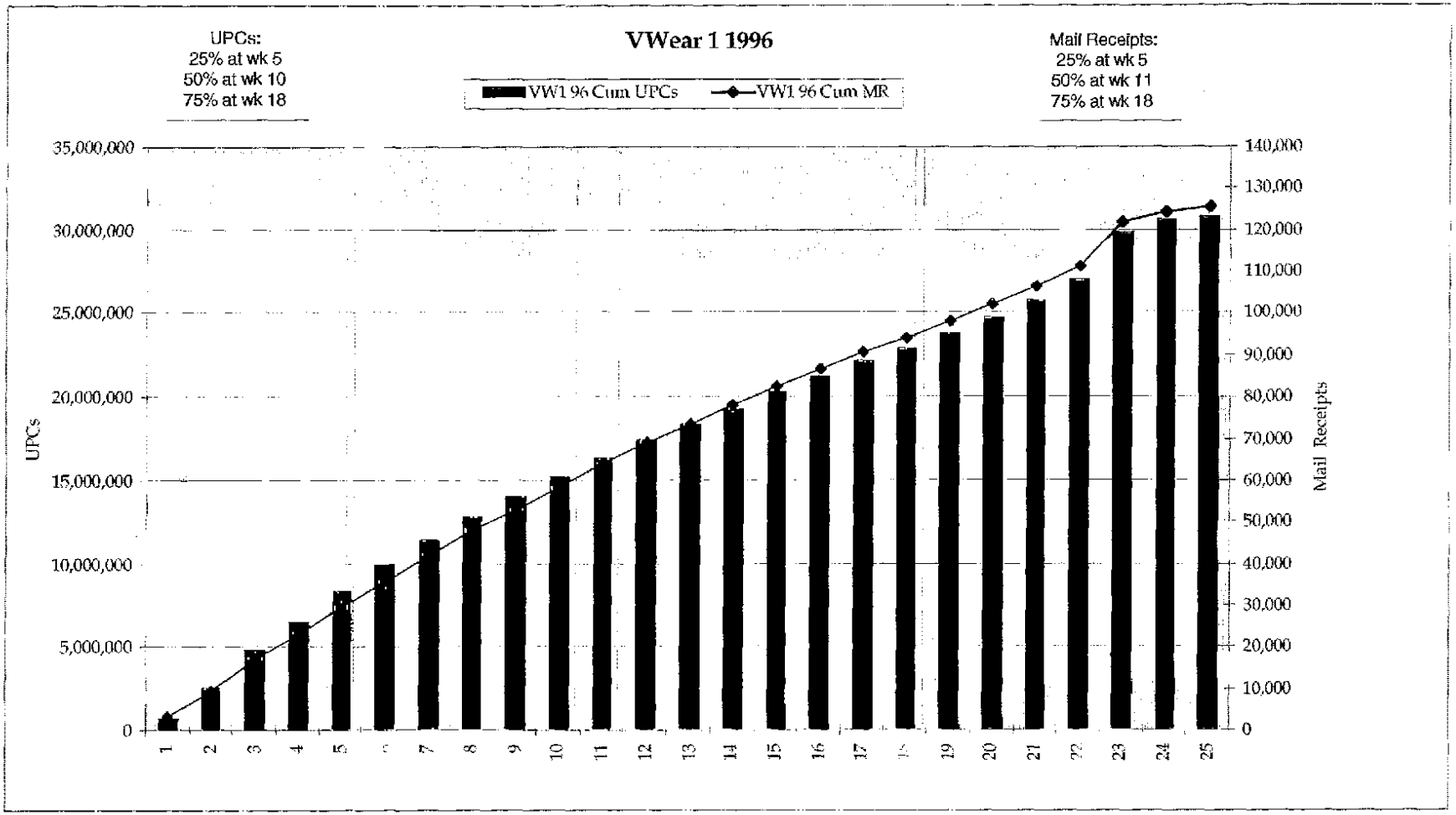
Source: https://www.industrydocuments.ucsf.edu/docs/zrlm0004

CUMULATIVE MR AND UPCs: VWear1 1996



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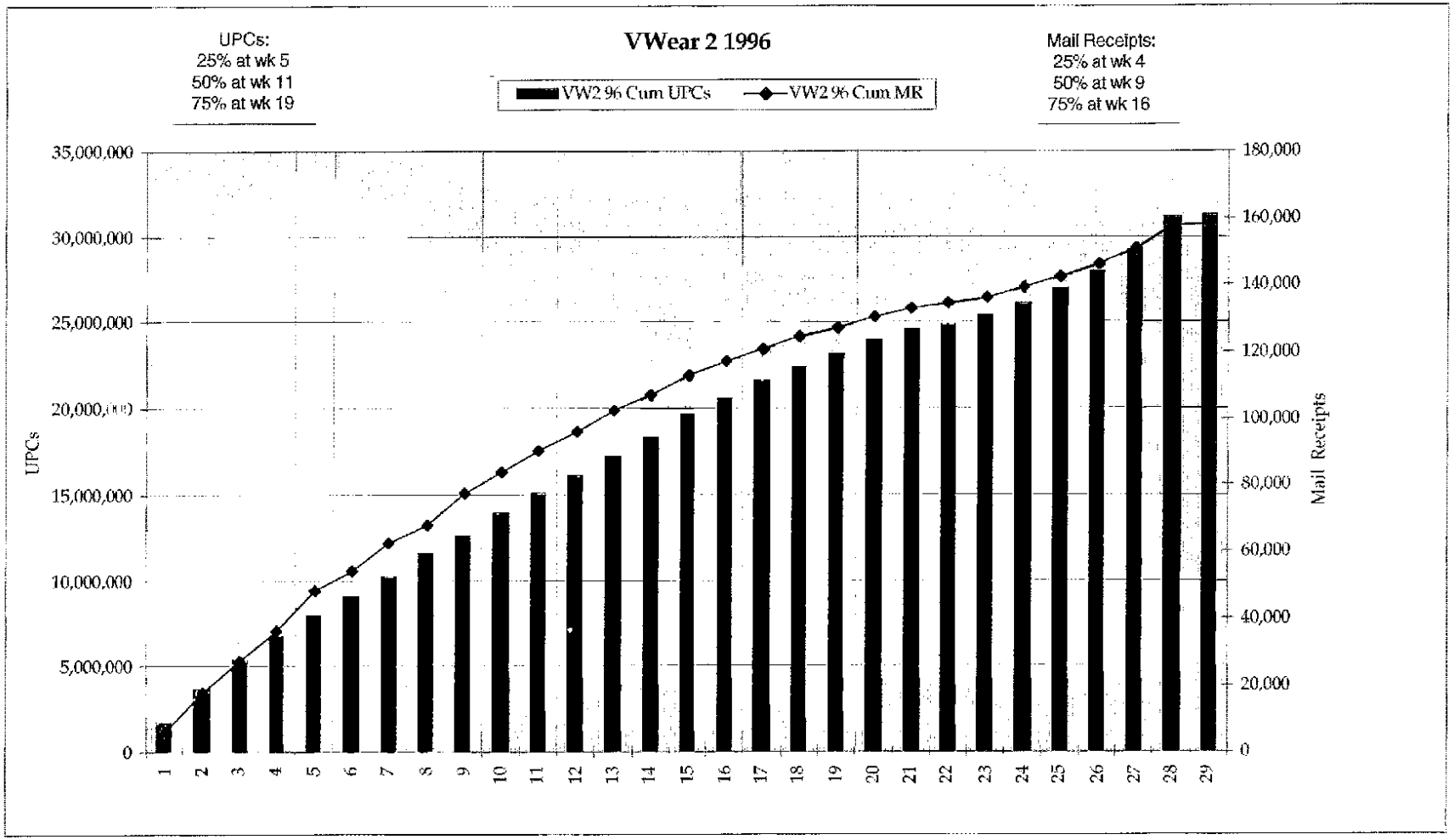

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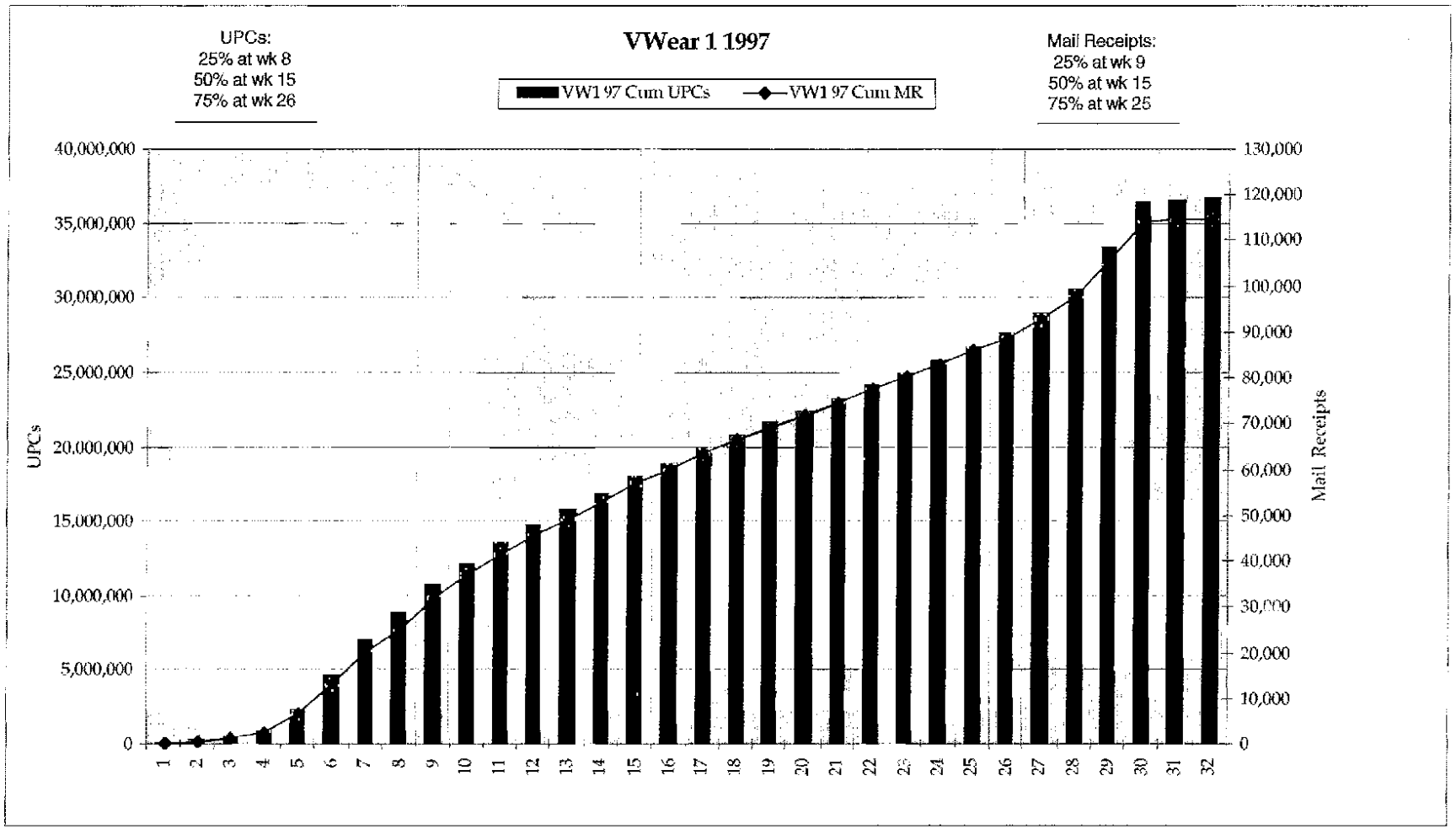

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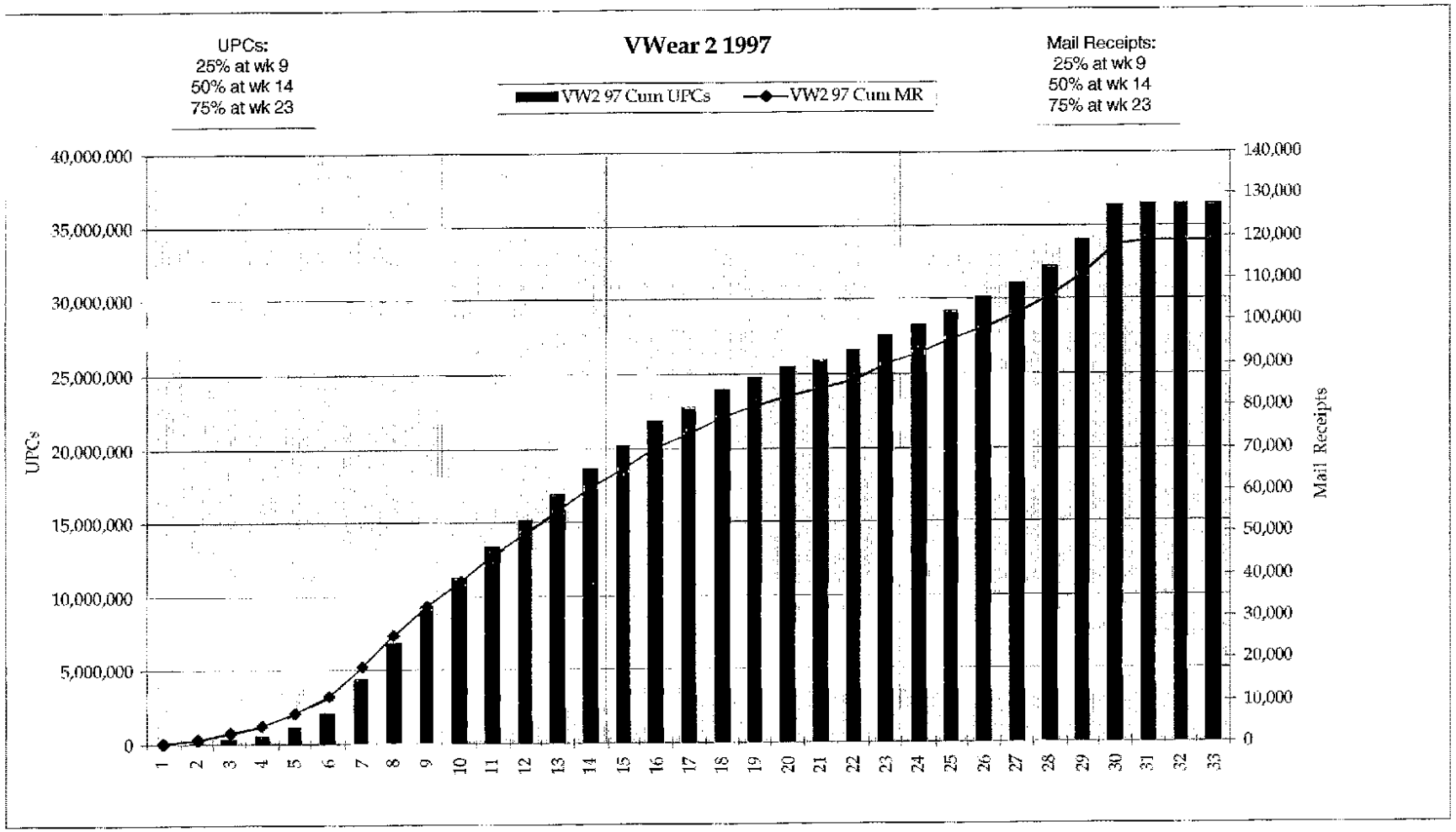

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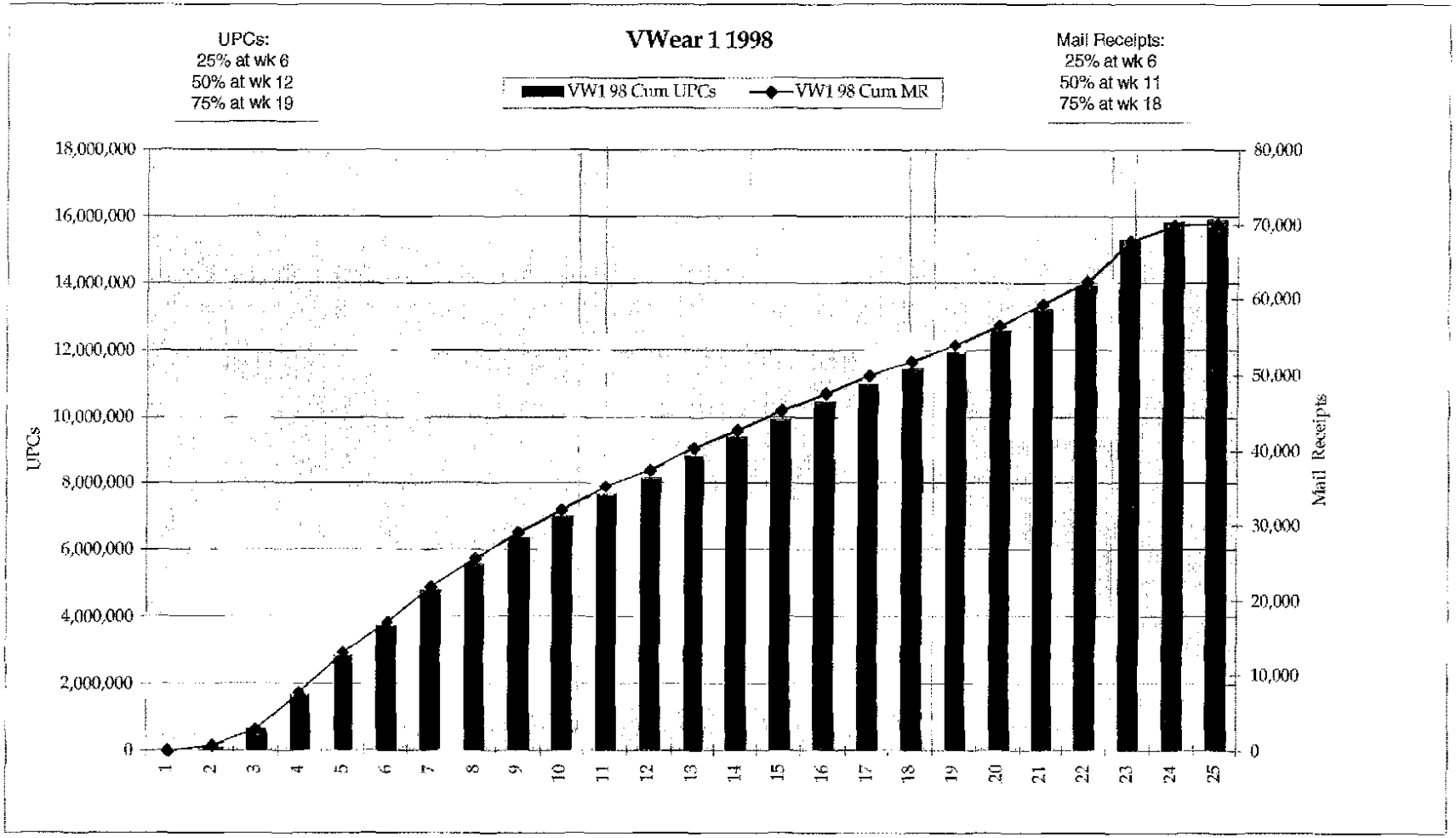
CUMULATIVE MR AND UPCs: VWear1 1998



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